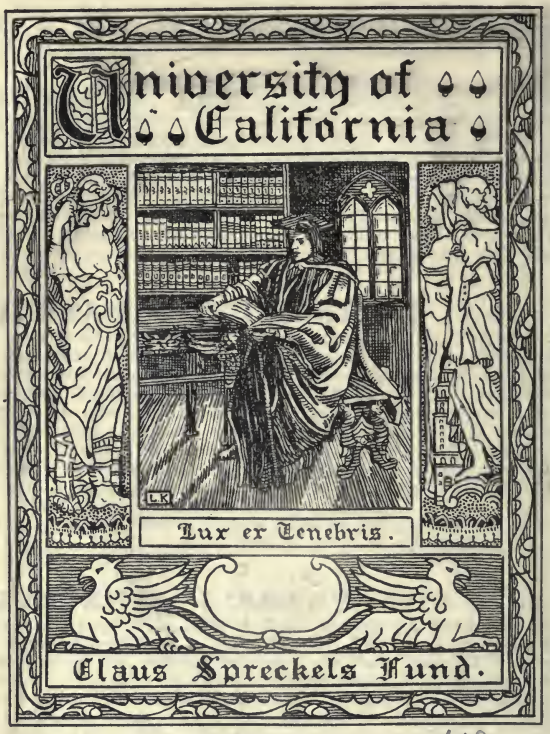
HJ
9773
.M9

MUNICIPAL FINANCE

FOR

STUDENTS

ACCOUNTANCY BOOKS



618

The above Volumes may, however, commence their Subscription with Vol. XXI. A list of Volumes already published, and Subscription Order Form, will be supplied post free on application.

ACCOUNTANT'S ASSISTANT, THE. 160 pages. Price 6*s.* net. By THOMAS BECKETT. This Work is an Index to the Accountancy Lectures and Leading Articles printed in *The Accountant*, *The Accountants' Journal*, The Transactions of the Various Students' Societies, and other Periodicals, during the last 30 years of the Nineteenth Century, to which is added a List of the principal Treatises now in use on each of the 117 Subjects affecting Accountancy. The Work will be in Daily Requisition in Accountants' Offices.

ACCOUNTANTS' (CHARTERED) CHARGES. (Third Revised and Enlarged Edition.) Price 10*s.* 6*d.* net. By FRAS. W. PIXLEY, F.C.A., Barrister-at-Law.

One of the great wants of Members of the Profession is a Standard work of the Charges of Chartered Accountants, to which they can refer their clients, when asked either to quote a fee for future services or to support an account of Charges already rendered. This work contains the Scale of Charges which prevails amongst the leading practising *London Chartered Accountants* for *Auditing*, making *Investigations*, &c.—The *Charges of Liquidators*.—The *Charges of Special Managers and Trustees in Bankruptcy, Receivers in Chancery*, &c.—The *Charges for Assisting Debtors and Directors of Companies in Liquidation* in the preparation of the *Statement of Affairs*.—The *Charges of Arbitrators, Witnesses*, &c.

CATALOGUE OF BOOKS FREE.

ACCOUNTANTS' DIARY (Yearly), ruled, &c. Prices from 1*s.* 6*d.* to 10*s.*—Editions Nos. 1, 2, 3 and 3A are specially Ruled and Headed according to the Pattern approved by most practising Accountants. All Editions except the 1*s.* 6*d.* contain a Directory of Accountants and much useful information.

ACCOUNTANT'S AND BOOKKEEPER'S VADE-MECUM. Price 7*s.* 6*d.* net. By G. E. STUART WHATLEY, Accountant (Exam. Inst. C.A.).

The Work consists of a *Series of short and Concise Articles* upon *Capital and Revenue Expenditure, Revenue Accounts, Deficiency Accounts, Depreciation, Reserve and Sinking Funds, Adjustment of Partnership Accounts, Joint Stock Companies' Accounts, Tabular Bookkeeping, Hotel and Theatre Accounts*, and other matters not *generally dealt with in existing Works on Bookkeeping*, together with useful *Forms* and *Directions*.

ACCOUNTANTS' MANUAL, published biennially, with Index. Subscription 3*s.* 6*d.* per annum. Vols. I., II., III., IV., V., VI., VII., VIII., and IX., now ready, price 12*s.* 6*d.* each (except Vol. III., 10*s.* 6*d.*) or 90*s.* the set. Also issued in parts every June and December, price 2*s.* 6*d.* each.

The only complete and full set of Answers to the Questions set at the Institute of Chartered Accountants' Examinations, dating from December 1884. These Answers are designed to give the fullest and most reliable information on each question asked, and are compiled with a view to lasting reference.

ACCOUNTANT'S COMPENDIUM, THE. Second Edition. Price 21*s.* net. (Medium 8vo, 570 pages). Containing in the form of a Lexicon a digest of the subjects of Examination prescribed by the Institute of Chartered Accountants in England and Wales and many other matters. By SIDNEY STANLEY DAWSON, F.C.A., F.C.I.S., F.S.S. Scope of Work:—Accountancy (generally), Acturial Matters, Administration of Assets, Administrators, Agency, Apportionment, Arbitrations and Awards, Arithmetical Questions, Arrangements with Creditors, Auditing, Banking, Bankruptcy, Bills of Exchange, Bills of Sale, Bookkeeping, Branch Accounts, Building Societies, Capital and Income Questions, Carriage, Cheques, Company Law and Practice (Formation, Management, and Winding-up), Contracts (generally), Contributory, Death Duties, Debentures, Deeds of Arrangement, Departmental Accounts, Depreciation, Directors, Economic Questions, Equation of Payments, Executorship Accounts, Executorship Law, Factors, Foreign Exchanges, Goodwill, Guarantee, Hire-Purchase Agreements, Income Tax, Infant, Insurance, Interest (Questions involving), Investigations, Lien, Limitation of Actions, Liquidators, Manufacturers' Accounts, Mercantile Law (Generally), Official Receivers, Partnership, Pledge, Profit, Profit and Loss Account, Profits Available for Dividend, Promissory Notes, Receivers, Reserves and Reserve Funds, Sale of Goods, Savings Banks, Secretarial Matters, Self-Balancing Ledgers, Shipping, Single and Double Account, Single and Double Entry, Sinking Funds, Slip Bookkeeping, Stock Exchange Terms, Stock-in-Trade (Questions affecting), Trustees, Trustees in Bankruptcy, Wills, &c., &c.

ADVANCED ACCOUNTING. About 400 pages. Price 21*s.* net. By LAWRENCE R. DICKSEE, M.Com., F.C.A., Professor of Accounting at the University of Birmingham (Author of "Auditing," "Bookkeeping for Accountant Students," &c.)

This work will be found of the greatest value to Candidates for the Final Examination of the Institute, and to all serious Students of Accounts. In addition to an exhaustive treatment of the subject from an Accountant's point of view, an Appendix is included, which has been written by J. E. G. DE MONTMORENCY, B.A., LL.B. (Cantab), of the Middle Temple, Barrister-at-Law, dealing with the law relating to accounts, and the requirements of the Courts and of lawyers in connection therewith.

ANTE-AUDIT. Price, 1*s.* each, net; 5*s.* 6*d.* ½-dozen copies; 10*s.* 1 dozen copies. Being the Auditor's Instructions to his Client's Bookkeeping Staff. Issued in connection with the series of AUDIT NOTE-BOOKS. Nos. 1, 2, and 3.

It is intended that this book shall be given by the Auditor to the Bookkeeper in cases where it has not been customary for the Accounts to be audited (more especially, perhaps, in small businesses), and where, not infrequently, the Accounts are being kept in a way that does not permit of the Auditor's duties being performed without a needless drain upon his time and patience.

AUDIT NOTE-BOOK. Nos. I. & II., Price 6d. (net) each, 5s. per dozen. 40/- per hundred. Issued in two Series, viz.:—
No. 1—Suitable for a Monthly Audit.
No. 2—Suitable for a Quarterly or Half-yearly Audit. Name and address printed on Covers free on orders of 100 or more copies.

AUDIT NOTE-BOOK No. 3. New and Enlarged Edition. (For Important Audits.) 100 pages. Foolscap 4to. Price 2s. per copy, 20s. per dozen, or 70s. for 50 copies, and £5 10s. for 100 copies. Name and address printed on cover if 50 or more copies are ordered.

AUDITING. A Practical Manual for Auditors. Sixth Edition. Over 900 pages. Price 21s. net. By LAWRENCE R. DICKSEE, M.Com., F.C.A.
A New and Enlarged Edition of this Standard Work has now been issued. The text has been thoroughly revised, in part re-written, and brought entirely up to date. The Work now consists of upwards 900 pages, medium 8vo, being 100 pages more than the previous Edition, of which 50 are devoted to additions to the body of the work, and 50 to Reports of Cases.
The Legal Decisions referred to in the Work are brought up to October 1904.
Special attention has been devoted in this Edition to the Accounts of Local Authorities and their Audit, Depreciation, Sinking Funds, &c.

BANKRUPTCY. Second and enlarged Edition. Price 7s. 6d, net. By T. M. STEVENS, D.C.L., Barrister-at-Law.
A demand has arisen for a short work on the above, which, whilst treating the subject from a legal point of view, will still *be of use mainly to Chartered Accountants* and others. The general outlines of the subject, *i.e., the text of the Acts, as explained by leading cases, is what is wanted, and what this work has endeavoured to give.*

THE BANKRUPTCY TRUSTEE'S ESTATE BOOK. Second Edition. Price 4s. net.
Compiled by LAWRENCE R. DICKSEE, M.Com., F.C.A. Author of "Auditing," &c.
This Book contains the whole of the information likely to be required by Trustees in Bankruptcy in such a form that in conjunction with the "Record Book" it provides a complete statement of all the facts relating to any particular estate, entirely doing away with the necessity for memorandum and loose sheets, which are so frequently lost.

BOOKKEEPING, ACCOUNTS, & CALCULATIONS relating to Hire-Purchase Wagon Trade and Colliery Royalties and Wayleaves. Price 1s. 6d. net. By GEORGE JOHNSON, F.S.S., F.C.I.S., Corporate Accountant.

BOOKKEEPING FOR COMPANY SECRETARIES. Third Edition. Price 3s. 6d. net. By LAWRENCE R. DICKSEE, M.Com., F.C.A.
This Work (which is founded upon a course of lectures delivered under the auspices of the Council of the Institute of Secretaries) deals very fully with those questions in relation to Bookkeeping, a knowledge of which is essential upon the part of every Company Secretary. It will, therefore, be found of the greatest value to all who occupy—or expect to occupy—that position, and also to all Accountant Students.

BOOKKEEPING FOR ACCOUNTANT STUDENTS. Fourth Edition. Complete, with Index, 10s. 6d. net. By LAWRENCE R. DICKSEE, M.Com., F.C.A. (of the firm of Sellars, Dicksee & Co.)
Contains a full and complete explanation of the *Theory of Double Entry*, and is supplemented by copious *Exercises* and *Questions* that combine to make it a work of the highest educational value.

BOOKKEEPING EXERCISES for Accountant Students Demy 8vo., about 96 pages. Price 3s. 6d. By LAWRENCE R. DICKSEE, M.Com., F.C.A., Author of "Auditing," "Bookkeeping for Accountant Students," "Bookkeeping for Company Secretaries," &c.

COMPANY-SECRETARY, THE. Fourth Edition. Price 25s. net. (Foolscap folio.) By W. H. FOX, Chartered Accountant. Containing a Full Description of the Duties of the Company-Secretary, together with an APPENDIX of FORMS and PRECEDENTS.

MUNICIPAL FINANCE

FOR

STUDENTS

A SHORT ELEMENTARY WORK ON MUNICIPAL ACCOUNTANCY AND FINANCE

By A MUNICIPAL ACCOUNTANT.

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

LONDON :

GEE & Co., PRINTERS AND PUBLISHERS, 34 MOORGATE STREET, E.C.

—

1904.

HJ9773
.M9

Digitized by the Internet Archive
in 2007 with funding from
Microsoft Corporation

http://www.archive.org/details/municipalfinance00munirich

TABLE OF CONTENTS.

PAGE

AUTHOR'S PREFACE .. .. v.

INTRODUCTION .. .. vii.

CHAPTER I.—LOCAL GOVERNMENT AUTHORITIES: THEIR POWERS AND JURISDICTION—

County Councils 1
County Boroughs 3
Non-County Boroughs 4
Urban District Councils 4
Rural District Councils 5
Boards of Guardians 6
Explanatory Diagram 8

CHAPTER II.—A MUNICIPALITY'S INCOME AND EXPENDITURE: ON REVENUE ACCOUNT—

Borough Fund 10
Education 11
General District Fund 12
Trade Undertakings 14
Interest and Sinking Fund 14
Private Street Works 15
Workmen's Wages 15
Rates—Provincial and Metropolitan 18
Treasurer's Abstracts of Accounts—Revenue Accounts 19

CHAPTER III.—A MUNICIPALITY'S INCOME AND EXPENDITURE: ON CAPITAL ACCOUNT—

Income 21
Municipal Borrowings 21
Period for Repayment of Loans 23
Redemption of Loans 23
Expenditure 24
Treasurer's Abstract of Accounts—
Capital Accounts 25
Balance Sheets 25

132974

PAGE

CHAPTER IV.—MUNICIPAL UNDERTAKINGS AND PRIVATE ENTERPRISE—

A Review of the Controversy 28

CHAPTER V.—DEPRECIATION OF ASSETS IN MUNICIPAL UNDERTAKINGS—

Do Municipal Undertakings Depreciate? 36
What are the Different Methods of Providing for this Depreciation? 37
Which is the Correct Method? 40

CHAPTER VI.—THE AUDIT OF MUNICIPAL ACCOUNTS—

Audit by Elective, and Mayor's, Auditors 47
Professional Audit 48
Auditor Appointed by the Local Government Board 50
Internal Audit 51
Report of the Joint Committee on Municipal Trading, 1903 52
Summary 55

CONCLUSION 56

INDEX 57

AUTHOR'S PREFACE.

To students of municipal accountancy and finance this little hand-book is addressed, not without a hope that it may fulfil its dual purpose, which is both simple and modest.

It is primarily designed to enable beginners in municipal accountancy to acquire a knowledge of the principles and practice of Local Government and its necessary finance. It is, perhaps, safest to explain at length that such a brief *résumé* as is given herein cannot be claimed to be either complete, or sufficient to enable the student to launch himself out as a fully-qualified financial officer; far from that being the object of the book, it is thought that it will prove rather the contrary—namely, that it will induce the reader to take up the further study of the points herein raised, seriously and thoroughly, and that equipped as it were with the elementary knowledge given in these few pages as a foundation, he will at once proceed to build up on it a more substantial and imposing superstructure.

Where the reader is intending submitting himself for the examinations in Local Government Accountancy, Finance, and Law, now held by the Institute of Municipal Treasurers and Accountants (Incorporated), it is thought that a perusal of this handbook will be of great service, as it directs his attention to many of those problems and features of municipal finance of which a sound knowledge is indispensable to satisfy the requirements of the gentlemen appointed as the Institute's examiners.

These examinations cannot be passed by the use of books alone—this must be clearly understood—an experience long and varied is essential, and books should be used as supplemental to, and not in substitution of, practical acquaintance with the subjects of examination; however, as an outline of the work of the whole machine of a Municipal Finance

Department—of which a junior clerk forms so small, and yet so useful a part—it is believed that this book will fulfil a distinct purpose, and enable him to see exactly how his duties fit in with those of his fellow-workers.

Secondly, it is claimed—not, it is hoped, presumptuously—that to others besides those actually engaged in the Finance Department of a local governing body the handbook is useful and unique, in that it enables them to obtain a better understanding of that volume issued by every municipality known as the Treasurer's "Abstract of Accounts"; at the present time especially should this information prove to be of service, when feeling on matters municipal runs high.

The author would like to acknowledge his indebtedness to his friend M. H. C., LL.B., of Gray's Inn, Barrister-at-Law, for his critical survey of, and valuable amendments to, such portions of this work as trespass on legal grounds.

At an early date (in performance of an agreement with the publishers) the author hopes to have, or make, the leisure, and given the leisure granted the inclination, to deal more thoroughly with the subjects herein treated, and also to include such other important matters, controversial or otherwise, as have been omitted, not from a lack of the sense of their importance, but simply to allow the book to retain its elementary form and convenient size. It will be his aim to render such a volume more worthy of the importance of the huge and complicated subject of "Municipal Finance."

A MUNICIPAL ACCOUNTANT.

INTRODUCTION.

Danger o. incomplete Notions and Ideas of the Subject.

ANY attempt to convey to the uninitiated clear and concise views of the principles and practice of local government, and more especially the financial sphere of local government, must necessarily depart from the well-known maxim so often discovered at the outset of a text-book in the words, "of course, a certain amount of knowledge on the part of the reader must be assumed"; a little knowledge is a dangerous thing, especially if one should be tempted to base conclusions or form opinions on a subject of the elementary principles of which one is ignorant. To no subject does this apply with greater force than that of municipal finance. The author's experience convinces him that many juniors actually engaged in municipal accountancy and audits—much more the "man in the street"—would be at a loss if asked, "By what authority does a corporation levy and collect a rate?"

Method of Treatment of Subject.

It is purposed in this short series of papers, therefore, not to lead the reader through a maze of technical points in what one might term higher municipal accountancy, nor to confuse him with extracts from legal text-books, but to give him an elementary knowledge of municipal finance and to help him to form his own opinions on disputable points—such as, say, the question of depreciation on municipal trade undertakings, or the audit of municipal accounts—with the comforting assurance that, whether his opinions be right or wrong, he is at least sound on the first principles, and that before he has ventured to express an opinion he has taken the trouble to ferret out the why and wherefore of the present practices in this or any other municipal matter.

Value of firmly-grounded Opinions.

The reader, then, is assumed to be armed with nothing but hazy notions of the subject, and is assumed to be willing to learn. Some of these notions must be swept away, others confirmed and retained.

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

MUNICIPAL FINANCE FOR STUDENTS.

CHAPTER I.

LOCAL GOVERNMENT AUTHORITIES: THEIR POWERS AND JURISDICTION.

Aim of this Article.

In this first chapter it will be one's aim to describe the various authorities to which local government is entrusted under the supervision of departments of State (*e.g.*, the Board of Trade, the Board of Education, and the Local Government Board), and the extent of their jurisdiction. The reader will be better able to follow the financial operations of the Corporation of a Borough if he has laid out before him this view of the whole field of local government, of which a Borough Council is but a part.

County Councils.

County Councils—

Constitution.

Formation.

Powers.

First, then, we will take the case of a County Council. This is a body of men elected by the scattered district over which they exercise authority (the administrative county), called "electoral divisions," like the "wards" of a town. They are formed under the Local Government Act of 1888, Section 1, which Act, together with the Local Government Act of 1894, prescribes their main powers and duties. They have taken over the duties formerly carried out by the County Justices in Quarter Sessions assembled. They have power to levy county rates, and to borrow money for capital purposes within

certain limits. Their most important functions are to provide and maintain Courts of Justice, Police, Highways, County Buildings, Lunatic Asylums, Reformatory Schools, and Bridges, with the necessary staff to carry out these duties. It will be noticed that these duties are such as are not merely local, but of a semi-national character. The County Council is also now endued with extensive powers under the Education Act, 1902.

Finances.

To carry on and maintain these public services, of course, demands funds. The wherewithal for this maintenance is derived mainly from two sources—viz., by direct grants out of the proceeds of the Excise and other duties from the Government, and the balance by a County Rate, which is levied by precept on Boards of Guardians (*q.v.*) throughout the county.

Extent of Jurisdiction.

Now, as to the extent of a County Council's jurisdiction. Over a *County* Borough (*q.v.*) a County Council has no jurisdiction, except by arrangement with the County Borough. It exercises its authority over all other parts of the county, though in different degrees. To take simple instances, it supervises the provision of higher (and technical) education in all parts of the county other than County Boroughs; but for elementary education its jurisdiction does not extend to Non-county Boroughs with a population exceeding 10,000, nor to Urban District Councils with a population exceeding 20,000; it provides a police force for any Borough which has not a police force of its own, and for all the rest of the county, excluding County Boroughs unless by arrangement. To sum up, the County Council is the responsible authority for all duties which the distinct local authority, such as the Town Council, the Urban District Council, and the Rural District Council is not empowered to carry out. As to what duties each distinct local authority can carry out itself, we shall presently consider.

Summary of Duties.

County Boroughs.

County Boroughs are representative of the highest form of local government yet attained. The Government, in the same Act as that which created County Councils (the Local Government Act of 1888), recognised that there were towns of such a size as to merit them being made absolutely self-governing, free of all control by the County Council, and to that end separated (by Section 31 of the Act) all the towns with a population exceeding 50,000 (at that time 61 in number) from the smaller towns and hamlets, and vested in the Council of each County Borough practically all the powers possessed by the County Councils. These powers are, of course, only exerciseable within the borough boundaries. In addition to the 61 towns originally constituted County Boroughs, several other towns have grown until they have complied with the requirements as to population, &c., and have, on application, and after public enquiry by the Local Government Board, been admitted to the privileged ranks of County Boroughs. A *County* Borough, then, is a Municipal Borough with all the powers given thereto by the Municipal Corporations Act, 1882, and powers under Public Health and other Acts, as detailed below, and has in addition the powers of a County Council, previously described. This does not prevent a County Borough coming to an agreement with the County Council to share the county institutions—such as the Asylums or Police—and making "continuing" payments to them therefor; in fact, it is sometimes advantageous to do so. There is no separate County Rate in a County Borough; it is merged in the Borough Fund and Borough Rate, hereinafter to be described.

County Boroughs—

Formation originally.

Now Dependent on Population.

Extent of Jurisdiction.

County Boroughs newly formed.

Summary of Powers.

"Continuing Payments."

County Borough Rate.

County Boroughs and Non-County Boroughs are now collectively spoken of as "Municipal Corporations," and act by meetings in Town Council; their acts are authenticated by the seal of the Corporation.

"Municipal Corporations."

Corporation acts by its Seal.

Non-County Boroughs.

Non-County Boroughs—

Non-County Boroughs come next in order of importance. A Non-County Borough is one which has received a charter of incorporation, either in olden times, or granted under

Formation.

the Municipal Corporations Acts, which nowadays virtually means promotion from an Urban District Council. Before its promotion it would, as an Urban

Powers.

District Council, have limited duties and powers (including rating) necessary for the preservation of public health. On incorporation as a Borough it obtains further powers, to some extent dependent on the number of its inhabitants, for the provision and maintenance of other kinds of public requirements and services—such as Town Halls, Municipal Buildings, and latterly Elementary Education. It is also enabled

Finances.

for these purposes to levy and collect a Borough Rate for Municipal Corporation Act purposes, in addition to and distinct from the General District Rate for Public Health Acts purposes. As has already been stated, Non-County Boroughs are not entirely free from

Not wholly Autonomous.

County Council control; the most important matters in which the County Council exercise their jurisdiction in a Non-County Borough are the provision of Main Roads, Higher Education, and the payment of Sanitary Officials' Salaries.

Urban District Councils.

Urban District Councils—

Urban District Councils, constituted as such by the Local Government Act of 1894 (and using the expression in the sense of this Act rather than its Public Health Acts

Formation.

significance only), are the governing bodies for districts which as yet, in most cases, are not large enough to obtain a charter and become Municipal Corporations. They are empowered chiefly to provide and

Powers.

maintain public services—such as Sewers, Sanatoria, Scavenging, &c.—for the insurance and preservation of the health of the inhabitants of their district. These powers are set out in great detail in the

Public Health Acts and are not dealt with here, as they would but cloud the reader's view of the whole subject. The larger Urban District Councils are now empowered to provide and maintain elementary education in their districts. They have also further general powers as to roadmaking, &c., conferred upon them by the Local Government Act of 1894. An Urban District Council has power to borrow money, on conditions and under limitations, to *provide* these public services and to levy a General District Rate to *maintain* them. Many other requirements of the community of an urban district are provided by the County Council.

Finances.

The "adoptive" Acts—such as the Public Libraries Act of 1892, and the Baths and Wash Houses Act of 1890—are, as their common title signifies, capable of adoption, in recognised manner, by any Municipal Borough or Urban District Council. The power to administer such Acts follows the adoption.

"Adoptive" Acts.

Rural District Councils.

Rural District Councils and Parish Councils are the authorities for even smaller districts (in point of population) than the Urban District Councils, and their powers are more restricted than those of Urban District Councils, They cannot of themselves, and with their own staff, levy rates, but obtain their funds by precept on the overseers of their district, who collect the amount along with the Poor Rate. Rural District Councils were formed as such under the Local Government Act of 1894. The supervision of the County Council is even more noticeable in the work of Rural District Councils than in any other form of local government —*e.g.*, they cannot borrow any money without the consent of the County Council; only matters of purely local importance, mainly for the preservation of public health—such as a supply of water or a recreation ground—are left to them.

Minor Authorities—

Finances.

Formation.

Powers.

Boards of Guardians.

Boards of Guardians—

Duties.

Poor Law Authorities only.

Mention has been made of these authorities, which are given charge of the administration of the multitudinous Poor Law Acts. Their duties are not directly concerned with municipal finance; they are indirectly concerned, in that usually the rating powers possessed by Overseers of the Poor, who collect for the guardians the so-called poor rates (which include county rates), overlap those possessed by the local authority. They are only separate bodies in urban districts. The subject is a wide one, however, and must be here summarily dealt with.

London Local Government—

Formation of Metropolitan Boroughs.

Powers.

Finances.

Rating Provisions.

We have now reviewed as briefly as possible the whole present-day field of local government, although London is to some extent a law unto itself. By the London Government Act of 1899, 28 metropolitan boroughs were created which took over the powers possessed by the old "vestries," and which were, moreover, invested with powers which officers of provincial boroughs look upon with approval. The salient features of the finances of these boroughs are: that only one rate—a General Rate—is levied to provide for all the expenses of each Borough Council; this General Rate and the rate known to provincial officers as the Poor Rate, are assessed, levied, and collected together by the Borough Council as one rate, termed a General Rate, and all the enactments applicable to the Poor Rate are, except as regards the audit thereof, to apply to the General Rate (Section 10, Sub-section 2, London Government Act, 1899).

For this purpose other governing bodies in the Metropolis (*e.g.*, Boards of Guardians, London County Council, Metropolitan Police) obtain their requirements by precept on the Borough Council.

One demand note only, in form approved by the Local Government Board, is to be served, and is statutorily to contain certain particulars.

Audit of the Accounts of.

A conspicuous section of the London Government Act is that numbered 14, which prescribes an audit of the

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

accounts of every Metropolitan Borough by an auditor appointed by the Local Government Board. Needless to say, this is *not* one of the provisions of the Act looked upon with approval by provincial officers.

London County Council—

There is also a County Council for London created by the Local Government Act, 1888, which has somewhat similar powers to those of geographical counties, but which has also additional controlling powers on the sanction and raising of capital moneys by the Metropolitan Boroughs, who are subject in this and other matters to its jurisdiction.

Formation.

Jurisdiction.

City of London excepted.

These provisions of the London Government Act, 1899, and the Valuation (Metropolis) Act, 1869, do not apply to the City of London, which is, in almost every sense, exceptional.

Mostly Municipal Matters now to be dealt with.

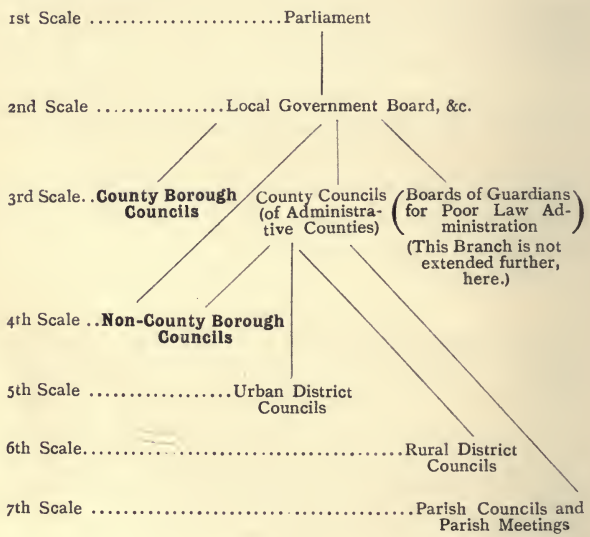
We have thus, very briefly, reviewed the distinctions between metropolitan and provincial local government. Now we can get at once to closer quarters with our discussion of purely municipal matters. County Councils, Urban and Rural District Councils, and Guardians will hereafter only be incidentally referred to; but when they are, there will be no uncertainty as to what is meant thereby.

Hereafter we shall devote ourselves almost entirely to Municipal Corporations and their work, and in our next chapter we shall consider the main items of a Municipal Corporation's income and expenditure on Rate or Revenue Accounts, paying particular attention to the methods by which the amount of a rate is estimated, levied, and collected.

Explanatory Diagram.

Bird's-eye View of Field of Local Government.

As a guide to the extent of the powers deputed to local governing bodies, and broadly illustrative of the whole field of local government, the following diagram may be of assistance: —


1st Scale .....Parliament
2nd Scale .....Local Government Board, &c.
3rd Scale..County Borough Councils
County Councils (of Administrative Counties)
Boards of Guardians for Poor Law Administration
(This Branch is not extended further, here.)
4th Scale ..Non-County Borough Councils
5th Scale .....Urban District Councils
6th Scale.....Rural District Councils
7th Scale .....Parish Councils and Parish Meetings

It will be observed that the authorities on scale 3 are accountable directly to the Local Government Board; that on scale 4 is accountable partly to the Local Government Board direct, and partly to the County Council; the authorities on scales 5, 6, and 7 are for the most part subject to the primary control of the County Council, with right of appeal on disputed points to the Local Government Board.

CHAPTER II.

A MUNICIPALITY'S INCOME AND EXPENDITURE: ON REVENUE ACCOUNT.

Local Exceptions and Peculiarities to be deleted herein.

At the outset of any review of the financial methods of municipalities in general, we must sweep aside all those complications resultant on local peculiarities, and confine our attention to the skeleton of the whole form of Municipal Accounts, which, when clothed with all the detail, necessarily varying on account of the extent of a municipality's energy in supplying local requirements, constitutes that formidable volume—so often needlessly intricate and involved—known to all students as the town's "Abstract of Accounts," compiled by the Borough Treasurer, or the Borough Accountant, if the former be but the manager of the local bank where the funds are deposited.

Municipal Abstracts of Accounts—

How to Analyse.

On examination of almost any Abstract of Accounts issued by the financial officer of each corporation, it will be found that the sources of *income* and the details of *expenditure* (most municipalities now produce their accounts on income and expenditure lines, and not on a receipts and payments basis) are grouped under three main heads, viz.:—

Borough (or City) Fund,
General District Fund,
Trade Undertakings.

Contents of.

It is recognised by most (if not all) of the present day Municipal Accountants and Treasurers that in all cases there should be published a Revenue Account, a Capital Account, and a Balance Sheet for every fund; and, as a general rule, such a course of procedure is carried out, as indeed it should be. An aggregate Balance Sheet compiled

from all these funds at once reveals the whole state of the finances of the municipality.

This Article to deal with Revenue Accounts,

In this article we shall consider the *Revenue* Accounts of these three main funds, and incidentally the funds closely allied thereto, which as a whole complete the title of this article.

Borough Fund.

The two Main Funds— Borough Fund.

As stated in the previous article, all the expenses incidental to the carrying out of the powers granted to a municipality by the Municipal Corporations Acts are chargeable to the "Borough Fund," as also are the expenses of the administration of some of the "Adoptive Acts," such as the Public Libraries Act, 1892.

Expenditure Chargeable thereon.

The main items of expenditure on the Borough Fund are:—

Town Hall,
Municipal Buildings,
Free Libraries,
Salaries of Officers,
Election Expenses,
Police Force,
Justices' Court,
Art Galleries,
Elementary Education,
Higher Education (in County Boroughs),
Lunatic Asylums (in County Boroughs),
Industrial Schools (in County Boroughs),
Interest and Sinking Fund on Capital Outlay,

Income credited to.

Against this expenditure, income is forthcoming from such sources as—

Rents of Property,
Justices' Court Fees,
Library Fines,
Licenses,
Art Gallery Fees,
Government Grants towards cost of Education
,, ,, Police Force.

In almost every case it will be found that the income from these sources alone is quite insufficient to carry out the community's requirements on Borough Fund Account, so that a Rate has to be levied, and, as a matter of fact, the Borough Rate itself generally proves to be the chief source of income on the Borough Fund.

Borough Rate.

In addition to the above considerations, which are common to both County and Non-County Boroughs, there is an additional feature of the Borough Fund of a *County Borough*, because, as we have already noted, in these Boroughs the expenses of carrying out the powers bestowed upon them by the Local Government Act, 1888, are chargeable to the Borough Fund and Rate, which in a Non-County Borough are borne by the County Council, and paid for by a County Rate.

Distinction between County Boroughs and Non-County Boroughs.

The result of this is that although the expenditure on the Borough Fund of a County Borough is more widely distributed, there is a correspondingly greater income by reason of the fact that instead of grants from the Government out of Imperial Funds (Local Taxation Account) being paid to the County Council, the County Borough itself receives its share of such grants direct. This procedure in many cases throws a less burden on the County Borough ratepayers than would be the case if the County Borough had not the powers and benefits derived from the Local Government Act, 1888. Details of these grants from the Government on Local Taxation Account, and the application of the same, will always be found in the Abstract of a County Borough's Accounts in the "Exchequer Contributions Account."

Grants from Imperial Funds

Exchequer Contributions Account.

Education.

The headings given above are descriptive enough of themselves to dispense with laboured explanation. "Education," however, is worth special mention. The administration of this —another national requirement—has been entrusted to the charge of local governing bodies, subject, of course, to the control of the Board of Education. This charge has resulted

Education Worth Special Explanation.

Increased Rates resultant on.

in a great increase in a municipality's expenditure, and, mournfully must it be said, in a comparatively insignificant increase in the income, of which Government grants are the main item. Expenditure on teachers' salaries and the proper equipment of the old "voluntary" schools has, however, sent rates up with a bound, for as deficiencies on account of education are chargeable to the Borough Fund, so also does the rate thereon increase. It is worth while, also, to note here that almost invariably will the accounts for elementary and higher education be shown separately in the Abstract of Accounts, as they are in most cases prepared on a "Receipts and Payments" basis, owing to the fact that at the time of closing the accounts the amount of the Government grants is not known; the signature at the foot will be found to be that of a Local Government Board's District Auditor, of whom we shall speak anon.

Abstract of Education Account.

Audit of Education Accounts.

Interest and Sinking Fund are also explained further on in this article.

General District Fund.

General District Fund—

This fund is the one to which are charged all the expenses consequent on the administration of the Public Health and other Acts which are by law chargeable thereto. The District Funds of a County Borough and a Non-County Borough respectively are practically identical; the only noticeable difference is that a County Borough is entirely independent in its control of the main road maintenance, whilst a Non-County Borough is subject to the County Council herein.

Expenses Chargeable thereon.

On General District Fund the expenditure is generally classified as follows:—

Salaries and other Administration Expenses,
Public Lighting of Streets, &c.,
Highways Maintenance,
Sewerage Disposal,
Parks and Recreation Grounds,
Hospitals and Sanatoria,
Scavenging of Streets,

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

Baths and Wash-houses,
Fire Brigade,
Miscellaneous Sanitary and other General Expenses,
Public Abattoirs,
Public Street Improvements,
Interest and Sinking Fund on Capital Outlay.

Income Credited to.

The income on this account arises mainly from :—

Rents of Corporation Property,
Maintenance of Patients,
Baths and Wash-houses Charges,
Licenses,
Sales of Materials (Stone, Sand, &c.),
Grants from Local Taxation Account per the County Council towards Highways Maintenance, &c. (Non-County Boroughs),
Grants from Local Taxation Account towards Highways Maintenance (County Boroughs).

General District Rate.

Here, again, the income does not, as a rule, provide a sufficient sum for all the Corporation's requirements on General District Fund, so that a General District Rate has to be levied for the difference, which "difference" proves to be a substantial part of the income of this fund.

Reason for two Rates—"Borough" and "General District."

To a casual observer the division of the local governing body's expenses between the two funds may seem a mere caprice, either on the part of the law or the Town Council. There are, however, reasons, logical and just, why the division should be so made, one of the most patent being the differential rating of property, by which those classes of property most benefited by the expenditure on the different funds pay most towards such expenditure; for instance, a railway company does not derive as much benefit from Public Health Acts expenditure as it does from the civil administration of the town; the company therefore pays rates on a reduced valuation to General District Fund only.

Trade Undertakings.

Trading Undertakings—Future Article devoted to.

Bearing in mind the fact that one article of this series is to be devoted entirely to a review of the development and the pros and cons of municipal enterprises, we shall only consider them at this juncture as the sources of income and the causes of expenditure. Although they are spoken of as funds in themselves, they are not so, strictly speaking, but are separately exhibited in the Abstract for the sake of lucidity and convenience.

Comparison with Accounts of Limited Companies.

The student will understand that as regards working expenses and income there is no difference between private companies and corporations. The final balance on Revenue Account, profit or loss—passing over for the present the scope for controversy as to the balance on Revenue Account being properly so designated—is either carried forward or transferred to one of the main funds, Borough Fund or General District Fund, according to the statutory authority under which the undertaking is worked. If there be a profit, the fund, and consequently the rate, is relieved to the extent of the sum credited; if there be a loss, the fund is correspondingly burdened.

Transfers from Trade Undertakings to Rates.

At the end of the Revenue Account, therefore, of each trade undertaking contained in the Abstract will be found the transfer to the main funds.

Interest and Sinking Fund.

Interest and Sinking Fund—

This oft-mentioned item, the only one calling for comment at this juncture on General District Fund and trade undertakings, is, on explanation, but a simple matter.

Explanation of.

A Corporation provides its public services, &c., out of borrowed money, as we shall see in the next article; during the time loans are running unredeemed, interest thereon is, of course, to be paid to the lenders. The Revenue Account for each financial year is made to bear the interest on the loans running during that year, and has also to contribute the instalments (*a*) for immediate repayment of the borrowed moneys to the lenders, or (*b*) for investment as Sinking Funds

at compound interest to repay the loans ultimately in lump sums, as the loan debt is not to be permanent. This annual or periodical charge is the "Sinking Fund," and is dependent, as to amount, entirely on the period allowed for repayment when the loan is sanctioned, and the rate of interest at which it is to accumulate.

Each fund bears its own burden; the loans, interest thereon, and contributions for repayment thereof are all correctly apportioned and charged to each fund.

There should now be no difficulty in the student thoroughly grasping this point, which is one of the most important features of municipal accountancy. Important.

Private Street Works.

Income or expenditure on works of private street improvement might also be called attention to, but as these works are executed by the Corporation for owners of private property, who are charged with the cost, they do not affect the main funds to any extent. Not greatly affecting Main Funds.

Workmen's Wages.

Specially Noted.

Although it is not within the province of this little work to consider in detail the items on which the expenditure of a municipality is incurred—and how the money does fly, indeed!—yet a point always arising both in practice and at examinations is as to the proper procedure to maintain an efficient supervision on sums paid away as Workmen's Wages. The sums spent on this item alone, for both Revenue and Capital works and purposes, would, in proportion to a municipality's total expenditure, often surprise even its chief financial officer if he worked it out; the point is of great importance to students, and is therefore now specially dealt with. Proper Procedure therein is of great Importance.

First as to the preparation of the Wages Sheets.

The main points to be observed in the preparation and checking of wages sheets are:— Points to be observed in Preparation and Checking.

(1) That the responsibility for the accurate preparation of the sheets, before audit, must be distributed amongst as many persons as possible, *e.g.* (*a*) the time worked should be kept by the

Points to be observed in Preparation and Checking.

timekeeper and recorded in time books; (*b*) the numbers, names, and rates of pay of the workmen should be checked and verified by the foreman; (*c*) the names of the workmen and the rates of pay should be written out by one member of the department; (*d*) the calculations of the amounts earned should be made and inserted by another member of the department; (*e*) the wages sheets should be certified by the chief of the department whose wages sheets are being checked.

(2) That all new workmen employed, and increased rates of pay allowed to workmen already enrolled, should be distinctly marked (say by red ink underlined) on the wages sheets, before certification by the head of the department, so that the engagement of the new men and the grant of increased rate of pay may be allowed and verified by him.

(3) That the wages sheets under audit should be compared with previous weeks', &c., sheets, and all differences verified as above.

(4) That all amounts for overtime should be approved by the head of the department. The sub-division of the "time-worked" column into "day work" and "overtime" facilitates the working of this regulation.

(5) That all and only the proper deductions are made.

(6) That where the authority for (*a*) the engagement of extra assistance (*e.g.*, Police) or (*b*) additional or increased rates of pay, is the sanction of the appropriate Committee, no such items should be passed without this authority being produced.

(7) That where allowances are made to injured workmen the basis of allowance should be confirmed and medical certificates produced.

(8) That wages sheets should, in addition to the above precautions, be checked, both as to arithmetic and fact, by a member of the Finance Department, who does not pay those wages.

Thus far, we have confined ourselves to the checking of the lists of workmen, and the sums due to them. Now the point arises, "How can a municipal officer ensure that payment of such sums is properly made?" Precautions for Proper Payment.

Some may say, "Let each man sign for his money," but in practice this system is so cumbersome and painfully slow that the time spent thereon is alone a serious consideration. Moreover, in spite of our vaunted education, the number of illiterate workmen is not small, and consequently crosses, which are not difficult to "forge," figure largely on the sheets.

The system of receipts by signature is not, therefore, satisfactory, but some such an arrangement as the following will, in the author's experience, be found to work well. Assuming that numbered tins, in rows and shelves, be used:—

Points to Note.

(*a*) The pay clerk is always to be a member of the Finance Department, and not of the department whose wages are being paid.

(*b*) The pay clerk is not to have had any hand in the making up or checking of those workmen's wages sheets from which he is paying.

(*c*) The departmental clerk calls the workmen's names, and the finance clerk hands the money to each workman.

(*d*) The foreman and timekeeper stand by and identify each man.

(*e*) The pay clerk and two witnesses (say, the departmental clerk and the timekeeper) sign a certificate of payment at the foot of the wages sheet.

(*f*) All sums unclaimed are entered in a book for the purpose (authenticated by the witnesses), and are handed in to the chief financial officer's care on return to the office.

(*g*) Periodically the chief financial officer will pay surprise visits at the time of payment of wages, and see each man paid (to avoid "dead men" being listed on the sheet).

Points to note.

(*h*) All sums unclaimed are, after a certain time, repaid to the bank; the unclaimed Wages Book is credited with these repayments.

Such elementary precautions as drawing cheques for the exact total of the Wages Sheet of each department, and comparison of the amount of the wages required by each department each week, are presumed.

Income.

Detailed Income not to be reviewed herein.

As with expenditure, so we shall deal with income; we shall not consider the multitudinous sources from which it springs, but shall content ourselves by particularising those features in which the income of a municipality differs from that of a private commercial undertaking, chief amongst which is, of course, the sum collected by a municipality as Rates.

Rates.

Rates—
For anticipated Requirements.

Lest it should be supposed that the Rate is only fixed when all the transactions already spoken of are completed, it must be pointed out that rates are levied to provide, mainly, anticipated, and not altogether antecedent, requirements. These requirements are estimated by the municipality's officers and committees in the following manner.

How Fixed.

Each year, just after the financial year end, every officer controlling a department is supplied with the actual figures for the year just completed, and with forms on which to estimate his requirements for the year then commencing. After each estimate has been considered and confirmed by the appropriate Committees, the Borough Treasurer or Accountant marshals the officials' returns. He takes into account any deficiency or surplus from the previous year's working, being careful not to exceed the statutory time limit, totals his estimated income and expenditure from all sources, finds the sum required on each fund, and forthwith proceeds to fix the amount to be paid by the ratepayers on each £ of rateable value as will, allowing for losses on collection, yield the sums required for the General District Rate and the Borough Rate.

Estimates.

Borough Rate—Levy and Collection.

The Borough Rate thus fixed is authorised by resolution of the Council; generally levied by precept on the Overseers of the Poor for each parish situate in the municipal area, and collected by them along with the Poor Rate.

General District Rate—Levy and Collection.

The General District Rate is also levied by resolution of the Council, and published according to law, but is generally collected by the municipality's own officers. It is based on the valuation of properties for Poor Rate purposes last made.

Authority for Rates.

The authority by which a Corporation levies and collects these rates is found in the Muncipal Corporations Act, 1882, for the Borough Rate, and in the Public Health Act, 1875, for the General District Rate.

Consolidated Rate.

Some few provincial boroughs have obtained powers to consolidate the collection of both these rates.

Metropolitan *v.* Provincial Procedure.

The above brief summary of the procedure necessary for the levy and collection of rates is that required in provincial districts, and not within the Metropolitan area. As we have seen, there are many differences between Provincial and Metropolitan local government, amongst the most important features being that of rates collection, as in the Metropolitan area (exclusive of the City of London) one rate only—the "General Rate"—for all the above purposes, and for Poor Rate, Police Rate, &c., is levied. The procedure as to estimates, &c., prior to the levying of the rate is, however, very similar to that obtaining in the provinces, all sums required by the outside bodies (*e.g.*, Boards of Guardians and the Asylums Board) being levied on each Metropolitan Borough Council by precept.

Pursue the study of these matters further.

At the risk of committing tautology, the author considers it best to again advert to his preface, and to remind students that the best thing they can do is not to rest content with the brief outlines herein given, but, with these directions as a guide, probe deeply into the subjects dealt with; they are too intricate to be thus summarily dismissed, if the reader be preparing for his municipal accountancy examinations.

Vitally Important to study Abstract of Accounts.

Any student may even now test the grasp he is beginning to feel of municipal finance, and his understanding of the Abstracts of Accounts issued by Corporations, by a reference to any abstract contained in the library of his Students' Society or his department. As these notes are sufficiently general to apply to almost any Abstract issued, it is believed that, as far as regards the Revenue Accounts, the step here suggested will enable the student to realise that, however many headings the accounts are sub-divided into, the foundation of the whole structure is almost identical in every case; let him but ignore exceptions for the present, and stick to the main features, and he will find that Municipal Accounts are not the bogey be believed them to be, after all.

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

CHAPTER III.

A MUNICIPALITY'S INCOME AND EXPENDITURE: ON CAPITAL ACCOUNT.

Provision of Public Undertakings.

THUS far we have assumed the provision of the necessities or conveniences which it is advisable for, or incumbent on, a municipality to provide for the inhabitants of its area, and have considered them as being fully-equipped, and sources of income or expenditure on Revenue Account. Let us now, therefore, enquire into the process by which these public undertakings are brought into existence. The heading of our article reveals that the cost of their construction is defrayed out of "Capital Moneys," and not directly out of the Rate Funds.

Income.

Where Moneys come from.

Assuming that the town decides to provide, say, an Electricity Works of its own: what course would have to be adopted to obtain its desires? It is obvious that if the cost of the undertaking were to be included in the amount to be collected during the year by means of rates, not only would a huge amount be required therefrom, but the ratepayers of that year would have to provide a fully equipped Electricity Works which would last several generations. This, of course, is neither practical nor equitable, though perfectly legal. "Capital" therefore is required.

Why not from Rates.

Municipal Borrowings.

Loans—

A municipality acting by its chief financial officer issues notices asking for loans with which to carry out the

undertaking. These moneys may be raised in many forms, *e.g.*:—

Forms of.

Stock.
Mortgages.
Promissory Notes. } pending issues of stock, &c.
Bills of Exchange. }
Loans on Deposit (in small sums).
Terminable Annuities, &c., &c.

Issue of.

The details of the issue of these respective securities for moneys lent are both intricate and technical. The student will of himself be sufficiently well acquainted with the manner in which limited companies raise their capital, and this knowledge will help him to distinguish between the various classes of security here mentioned; if the student has not such a knowledge, a good text-book on general bookkeeping and commercial practice will help him. On this subject, as applied municipally, there do not appear to be any cheap text-books as yet.

Restriction of Borrowing Powers.

A municipality, however, cannot simply decide by resolution of the Council to raise these capital moneys and supervise the expenditure thereof. Their powers so to do are strictly limited. In all cases sanction must be obtained to the suggested course of procedure, either (*a*) by direct recourse to Parliament in a private Bill or Provisional Order; (*b*) from a State Department, *e.g.*, the Local Government Board, the Board of Trade, or the Board of Education; in each case the Government requires to be satisfied of the necessity or advisability of the suggested works being carried out, and will generally hold local enquiries for the proper ascertainment of the wishes of the community thereon, any ratepayer having the right to appear and state his views to the officer holding the enquiry. The sanction of the governing body having been obtained, the way is clear for the immediate issue of the loan advertisements and the commencement of the work, unless the Corporation has been reckless enough to commence the work, defraying the cost temporarily by bank overdraft, in anticipation of the sanction arriving in due

Sanctions to Loans.

Expenditure in anticipation of Sanction.

course; sometimes immediate action (*e.g.* to purchase land) is vitally necessary.

Consolidated Loans Fund.

Loans as raised may be either borrowed against a specific sanction, and appropriated thereto directly, or they may be primarily paid into a Consolidated Loans Fund, and from thence apportioned to each fund and sanction as required.

Trustee Securities.

Hereon the student should notice that stock and mortgages issued by boroughs having a population exceeding 50,000 (*i.e.*, *County* Boroughs) are trustee securities, whilst Non-County Borough issues are not.

Period for Repayment of Loans.

How Fixed.

At the same time as that at which the sanction to the borrowing of moneys is obtained, the period of the repayment of the borrowed moneys is determined by the sanctioning authority. It has always been a sore point with municipalities that the period during which the loans are to be repaid is often not commensurate with the life of the works to be provided out of such loans. It has often been urged on Parliament and Parliamentary Committees that were the procedure adopted of determining the period for repayment of the loans by the life of the works on which they are expended, greater simplicity and lucidity in the ascertainment of a municipality's financial position would be the result; but it is pointed out *inter alia* that the rate of obsolescence cannot always be anticipated. We shall deal with this point in greater detail when considering the question of depreciation of municipal works.

Basis.

Redemption of Loans.

Methods of Redemption.

The methods most generally prescribed for repayment of loans borrowed for municipal purposes are, first, by equal yearly or half-yearly instalments of principal and interest combined, and secondly, by the accumulation of moneys in sinking funds for the repayment of the loans in lump sums.

Results of each.

By the former method, the student will probably know, as the interest on the outstanding balance *decreases*, the proportionate part of capital repaid *increases*, and the

Results of each. funds do not accumulate, but are paid away periodically. Under the second method interest is paid on the whole loan during the period for which it was sanctioned, and, in addition, such a sum is set aside annually as will, at compound interest, amount to the exact sum required for repayment at the end of the sanctioned period. The investment of these funds is also regulated by the sanctioning authority, unless they are utilised at intermediate stages to repay loans before the sanctioned period has expired, in which case, of course, allowance will be made for the loss of interest sustained by the accumulated fund; all sums set aside for redemption of loans are required to be invested in statutory securities. At the end of the sanctioned period, however, by whatever process the municipality may adopt, sufficient funds are to be in hand to repay, at the due date, all borrowed moneys.

Another Method. Sometimes a third method of repayment is adopted—viz., by repaying periodically a fixed proportion of the total amount borrowed, plus interest on the amount outstanding from time to time.

Expenditure.

Accounts to be kept. The expenditure actually incurred by a municipality out of borrowed moneys, on whatever works or undertakings are requisite, is not only to be strictly supervised by the municipality's officers (and on this point bear in mind the notes previously given as to the institution of a proper check on sums expended *inter alia* on capital works for wages), but on the chief financial officer devolves the burden of keeping a strictly accurate account thereof, to show exactly what amount has been sanctioned and borrowed for each specific purpose, and the actual expenditure thereon at any time.

State Control. The Departments of State keep a firm grip on all a municipality's income and expenditure on Capital Account, and returns are required to be made to them periodically, recording the loans for and expenditure on the undertaking.

Application to Abstracts of Accounts Statistical). In the Abstract of Accounts issued by the chief financial officer, in addition to the account which sets out a municipality's income and expenditure on the Capital Account of each

fund or undertaking, there will be found an aggregate statement (purely statistical) showing the exact amount sanctioned, expended, set aside in Sinking Fund, and invested, for every loan sanction. There is therefore no difficulty in ascertaining at any time exactly how the undertaking stands as regards the capital moneys requisite for its completion, and the funds set aside for the redemption thereof, or already paid off out of Sinking Fund.

Treasurer's Abstract of Accounts.

Capital Accounts.

Application to Abstracts of Accounts (Financial).

Keeping in mind the above review of the practice of raising and expending capital, let us now put our knowledge to the test by applying it to the Treasurer's Abstract of Accounts of almost any town.

Double Account System in operation.

It will be found that as a general rule the "Double Account" principle of stating loan debt and capital expenditure applies. The Capital Account for each fund or trade undertaking reveals on the credit side of the account the capital sums raised on that fund, the expenditure thereout for each purpose being shown on the *contra* side, as in the case of a railway company, for instance; but whereas the net balance overdrawn at bank, or retained as working capital respectively, would alone be brought to the General Balance Sheet of a railway company, the usual municipal practice is to repeat the Capital Account in a summarised form in the Balance Sheet. This is the only difference—not affecting the principle involved—between the "Double Account" system as adapted for a municipality and that of any statutory company.

Balance Sheets.

How to understand a Municipal Balance Sheet.

We have noted that, following the "Double Account" system, all capital expenditure is considered as an asset in the Balance Sheet, and stated at cost. This is the usual practice, though there are exceptions.

Points to Note.

Most corporations set aside, by charging against the Revenue Accounts of the respective funds, and especially

Points to Note.

trade undertakings, Reserve Funds for different purposes, Renewal Funds, and in some instances Depreciation Funds. These funds are set out on the liabilities side of the Balance Sheet, along with the accumulated Sinking Funds; all investments of these funds are stated on the assets side, and any balances uninvested are specified. So far, the usual items in a "Double Account" Balance Sheet have been reviewed; but how is the Balance Sheet to be reconciled when loans have been paid off out of revenue, either by the instalment principle or the accumulated Sinking Fund already spoken of? The assets acquired by those loans, now repaid, still remain on the assets side of the Balance Sheet, and there is consequently a surplus of assets over liabilities, unless, of course, assets are not stated at cost, or assets are deleted when the moneys borrowed for their acquisition are paid off.

There are several methods in vogue of reconciling the Balance Sheet under these circumstances, but the one most common is that of stating all capital outlay at cost and showing on the liabilities side the amount of loans thus redeemed under the head of "Surplus of Assets over Liabilities," "Loans paid off out of Revenue," "Loans Redeemed," "Loan Debt Extinguished," &c. By whatever title it be designated—and it must be admitted that sometimes the title is somewhat vague—such sums as are thus included on the liabilities side are to reconcile the two sides of the Balance Sheet, indicating to what extent the corresponding assets, formerly paid for out of borrowed moneys, are now paid for by repaying the loans out of revenue.

In conclusion, suffice it to say, that if a student note carefully the manner of setting out in a Balance Sheet (*a*) loans raised, (*b*) the purpose for which these loans have been utilised, and (*c*) loans redeemed, he will find no difficulty in understanding the Revenue and other items thereon, which in almost every case will differ but slightly from any private or limited commercial undertaking.

Aggregate Balance Sheet.

There should be a Balance Sheet for each fund or trade undertaking, and an aggregate Balance Sheet in summarised, and columnar, form (which form the author prefers), revealing the whole position of the municipality's undertakings. By the outlay of a short time on the study of the accounts of the leading municipalities the student will find that, by a careful and analytical perusal of the aggregate Balance Sheet, he has a clear view of the whole of the corporation's finances, for in that statement will be found the key to all the funds into which the municipality divides its operations, whether or no the detail thereof take up but 10, or 1,000 pages of printed matter.

Study of Abstracts of Accounts again of great service.

CHAPTER IV.

MUNICIPAL UNDERTAKINGS AND PRIVATE ENTERPRISE.

Reasons for including this Article.

THE author was, for some time, in doubt as to the wisdom of including in this little work this the fourth chapter, as it is not, strictly speaking, financial; rather does it traverse grounds outside the limit of our title; but, on further consideration, it was thought that anything which, while being of interest to students of municipal problems, would serve a triple purpose, could not be considered out of place. This triple purpose may be said to be: first, to enable a student to understand, and possibly to meet, the arguments of those whose opinions on municipal trading differ from his own; secondly, to broaden his views of the operations of the municipality for which he is in service; and, thirdly, that, especially as to the criticisms directed at municipalities' finances, it does us no harm, but rather the contrary, to "see airsels as ithers see us." The article is therefore included in full, as follows:—

Purpose of the Article.

At the present time, when one hears from all sides criticism of the keenest kind directed at everything municipal, and more especially everything savouring of municipal trading, or, as some say, socialism, it is as well even that accountants should pause to consider whether there are not other phases of the subject, as well as financial, which should be borne in mind, and which undoubtedly cannot justly be overlooked at a time when, as it seems, the shibboleth on which judgment on the whole question of municipal trading is to be pronounced is but to be "Does it make money?" That does not settle the question of principle.

Impartiality of Treatment.

It is the author's endeavour that this review of the controversy shall be entirely impartial, and to this intent it is thought that the purpose will be best served by setting out the principal arguments against undertakings of all kinds being carried out by a municipality wherever possible, instead of as private undertakings, with the corresponding answers of those who incline to the contrary opinion. The weakness of any argument, or the reply thereto, is then self-evident.

Reasonable tone of Article.

It must also be understood that no notice will be taken of extravagant statements or arguments made or put forth by either side, as the author holds the view that such rabid exhortations are themselves their own answer, and that no argument which is not worthy the consideration of reasonable men is not for the true advancement of the interests which both bodies of disputants believe ought to be those of the majority by which our country is to be governed; yet it must be confessed that of late, in assemblies of persons of presumably mature judgment, true reasoning has often been at a discount, and that the more extravagant the speaker the more deserving of commendation and support was he.

Trading *v.* Non-Trading Departments.

The disputed question of municipal management as a whole may, in the opinion of many, be limited mainly to a discussion of the management of those undertakings which may be termed "trading," whether the undertaking be in the nature of a monopoly (*e.g.*, a water supply), or such as may result in competition with private firms engaged in the same business (*e.g.*, municipal bake-houses, insurance, &c.).

Both Classes to be dealt with.

On examination—more particularly of the financial considerations—however, it will be found that the subject is difficult of division; allegations of bad financial methods and mismanagement, for instance, are heaped alike on both classes of undertakings, monopolies, or competitive concerns, both municipal and private; whilst the other considerations are, in the main, questions of public policy which again apply, though not perhaps equally, to both. The subject is therefore dealt with as a whole.

First Argument.—

Municipality was never meant to Trade.

The Local Governing Authority (the Municipality, let us say) is put in power to *govern* the inhabitants of the area within prescribed limits, and that the burden of proof of any need to enter into *trade* lies on the local governing body.

Municipality cannot Govern without Trading.

Reply.—The Municipality is to take up such duties as are not merely required to passively govern the inhabitants of its area, but is legally empowered to take such steps as will conduce not only to the proper government, but to the full and proper provision for the needs of the community, even if thereby it trades. This follows as a natural corollary of local government.

Second Argument.—

Evil consequences of Municipal Trading.

The Municipality has quite enough to do to govern, and that only, and that immediately they (the Council of the town) transgress this boundary, the following consequences, *inter alia*, ensue:—

(1) They enter, in many cases, into competition with private traders.

(2) They are too lavish in their expenditure.

(3) The burden of local rates increases correspondingly as a direct result of such trading.

Contrary Opinions of Results.

Reply.—The Municipality must not only govern, as has been said, but must in the best interests of the community provide such public commodities or services as are required. In doing this:—

(1) Even if they do in some cases enter into competition with private traders, it is best that the provision of that particular commodity should be undertaken by the municipality, and not left to private enterprise.

(2) They provide substantial, but not luxurious, buildings, &c. (*e.g.*, workmen's dwellings), and do not adopt a penny-wise-and-pound-foolish policy.

(3) The burden of local rates is not due to the trading activity of the Municipality, but to improved sanitation, &c. As a matter of fact, say they, the tendency of the development in undertaking trading concerns is to *relieve* the rates.

Third Argument.—

Even assuming there is, on the average, relief afforded to the local rates by transfers from the Revenue Accounts of the trade undertakings, such transfers as are made therefrom to the credit of the rates are not *profits*, but are often merely the balance of income over ordinary expenditure and sinking fund, no provision being made for depreciation and contingencies.

Profits are not real.

Reply.—That as, in the majority of cases, the period of the loan repayment represents the life of the works for which the loan was sanctioned, there is no commercial, and certainly no legal, requirement ignored, and that such transfers are practically profits. Moreover, even if depreciation and not loan repayment should be taken into account, who is to be the judge as to the rates of depreciation to be allowed (*e.g.*, electrical plant, &c.) when experts differ?

Why not?

Fourth Argument.—

That the financial methods adopted, generally, are not sound, and that the Municipality's accounts, as published, are not always a correct reflex of the real position—*e.g.*, assets now non-existent are still credited as assets. There is no proper audit of Municipal Accounts.

Financial Methods Unsound; no proper Audit.

Reply.—There is no statutory form in which the Municipality's accounts are to be stated; the Double-account System prevails, and there is, nowadays, no just cause for complaint as to the financial methods adopted, as the Municipality's financial officers are much better qualified than in days of yore, the majority being professional accountants. As to audit, it is agreed that much may be done by the institution of a proper audit to satisfy many discontents; to that end both factions are working to devise an efficient scheme.

No fault to be found with System; better Audit certainly desirable.

Fifth Argument.—

Enormous Loan Debt as results of Trading.

That the present tendency of Municipalities to launch out into all possible kinds of trading concerns is responsible not only for local rates having increased, but also for the loan debt of Municipalities now standing at many millions of pounds. This debt is gradually becoming a menace to the nation.

Good Value for Money remaining.

Reply.—That for all the increase in local rates there is more than an equivalent return in the astonishing decrease shown by the returns of deaths from infectious diseases, and in that alone, as this decrease is greatly due to improved public sanitary and sewerage services. For so much of the debt as has been incurred by trading, there is, on the whole, full realisable value remaining in the works and undertakings provided thereout. There is better value for money obtained as a result of expenditure on local government purposes than for Imperial purposes.

Sixth Argument.—

Present Burdens too heavy to bear.

That the position of the ratepayer, and his ability to contribute, is fast becoming unbearable, and the result will be seen in a collapse of the present method of municipal government and provision of local requirements.

More sources of Income looked for.

Reply.—That so long as the Government of this country continue to impose on the local authority responsibilities of a national, or semi-national nature, (*e.g.*, education) the burden of local rates can but increase, and that far from the powers of carrying out these local requirements being restricted, either fresh sources of local taxation will be forthcoming, or the incidence of local rating will be changed.

Seventh Argument.—

Disfranchisement of Municipal Employees advisable.

That with the introduction of each new trading concern the danger at present existent in the fact that the municipal workmen exert a power at the polling-booth which a Town Councillor dare not overlook, increases; the possibility of the town's government being prejudiced by this interested faction is far from remote. Municipal employees should be disfranchised.

Reply.—That often the keenest critics of a Municipality's work are their own workpeople, and that it would be a most unfair thing to disfranchise a workman, either for a Parliamentary or Municipal vote, simply because he is interested in *one* branch only of the Municipality's work. This step neither necessary nor just.

Eighth Argument.—

That undertakings of almost every kind are better managed by private companies than by Municipalities. The idea that Councillors and Aldermen, without any professional experience, are better able to supervise a commercial undertaking than a board of experienced directors is absurd. Municipal Management bad.

Reply.—That the permanent officials municipally engaged are of the same standard as those employed to govern private commercial undertakings, and that a body of Councillors and Aldermen often take a more active interest in the management of the undertaking than a figure-head board of directors. Disputed.

Ninth Argument.—

That so long as the monopolies held by companies are in almost every case held subject to fixed reasonable charges being made to consumers (*e.g.*, for water supply), the interests of the community are sufficiently safeguarded, and that no enormous profits can be made, whilst the risk of losses falls on a private company, and not on the general body of ratepayers. Safeguards are provided against extortion by Private Companies.

Reply.—A monopoly is, in all cases, not only to be at the gift of, but retained in the possession of the community, and they, and they only, are entitled to any profits made, even after charging a reasonable fixed price. Profits from Monopolies are the Community's.

Tenth Argument.—

That past results justify the present outcry against municipal trading, the opponents of which are not content with a *laissez faire* policy, but act from an honest desire to improve local government, and purge it of that which they believe to be fallacious and dangerous. Complaints justified by results.

Complaints are unjust, present known evils preferable to future unknown.

Reply.—That as a whole, the past results of municipal trading are such as to encourage its advocates, and that the result of the adoption of their opponents' policy would be to put back the clock of local government, and yield to those opponents—who are not free from the taint of interestedness—a large sphere of influence, the exertion of which may result in government by "combines" and "trusts," instead of by direct elected representation. The fierce light of public criticism is too searching to allow of much "jobbery" under the present system.

Hazarded reason for present-day lassitude on this subject.

Such are the main reasons and deductions, collated, with which one is confronted on a consideration of this burning question, which seems to rouse the energy of the few to compensate for the lethargy of the multitude. The diversity of the views held is, indeed, well judged to strike confusion in the minds of the uninitiated, and perhaps that is why, amidst all the turmoil of the debate, the question and counter-question appearing both on the lips of the disputants and on the pages of the organs of either party, that patient beast of burden—the average ratepayer—goes on his way, phlegmatic, contenting himself with that proverbial grumble which is his privilege, but paying all lawful demands, without concern, without raising sufficient energy for enquiry into the means of possible alterations in the system! Is it not strange? Is it not just English?

CHAPTER V.

DEPRECIATION OF ASSETS IN MUNICIPAL UNDERTAKINGS.

Unbiassed Minds asked for.

WHEN we come to discuss this vital question, which is at the present time a matter for so great a controversy, such as has probably never before been known in the world of municipal finance, it is incumbent on one to adopt the same attitude as does counsel for a prisoner in the dock on the capital charge, and ask students to ignore for the time being all they have read of the case in the papers on behalf of either body of disputants, and simply review the case on its merits, keeping as closely as possible to the points at issue, and not wandering off into the many by-ways and side-issues which lead off from the main question. To pursue the legal simile further, it must be confessed that municipalities are just now on their trial, and that counsel on both sides are masters of their profession. Let us limit our review to the consideration of the main principles, which are well within the grasp of accountant students; the subject is too complicated for any student to follow, except he proceed by stages; if he understand these first principles and bases he may read and understand all there is to be said thereon. Our self-imposed questions shall be:—

Main Principles sufficient for the present.

Points to be considered herein.

(1) Do the fixed assets of municipal undertakings depreciate notwithstanding repairs and renewals?

(2) What are the different methods of providing for depreciation?

(3) Which is the correct method?

1.—Do Municipal Undertakings Depreciate?

Affirmative answer.

It will not take much consideration on the part of accountant students to come to the conclusion that, notwithstanding repairs *and renewals* of worn-out parts being charged against revenue, there is wastage going on from day to day, and always the chance of obsolescence, which will, sooner or later, render the particular fixed asset under consideration worthless, except for its break-up value.

Qualifications thereto.

Of course, this general statement is liable to qualification, dependent on the particular class of undertaking, and the property comprised therein; this qualification, however, only concerns the *rate* at which such depreciation takes place; the *period* during which any given fixed asset has a workable value is not yet the main point. The fact is that all assets do depreciate; whether they be of usable value for 10 years or 100 is not just now relevant.

Municipal Assets *v.* Privately-owned Assets.

Hereon may it pertinently be pointed out that the fact that an asset is owned by a corporation and not by a company does not in the slightest degree alter the rate at which it depreciates. Even this simple point is not grasped by some disputants. An asset will decrease in value just at the same rate, whether it be owned by a corporation or by a company. No company which did not allow for this depreciation by charges against Revenue Account would be considered financially sound. Why, then, it will immediately be asked, do not corporations debit Revenue Account with depreciation? This we shall presently consider.

Differences between Trading and Non-trading concerns.

It is as well to call attention to the difference which this question of depreciation has in its bearing on a municipality's trading undertakings, such as gas and electricity works, and non-trading undertakings, such as a fire station, a street improvement, or a town hall.

In the latter case, once the assets comprising the undertaking are provided out of borrowed moneys, the question of their permanency does not arise, because there is no question of *profits* involved; all that is required is that the loan out of which the assets were provided shall not be

permanent, but shall be repaid by the end of a given period. These borrowed moneys are repaid by periodical contributions direct from the rates, not through the medium of the Revenue Account of a trading undertaking. Moreover, the question of obsolescence may be almost deleted.

Principles involved.

So long, then, as a sufficient sum is paid by the ratepayers to redeem the loans, there is nothing else required, so far as a non-trading undertaking is concerned; but with trading undertakings, the contributions to Sinking Fund to repay the loans are to be charged to Revenue Account before any profits can be transferred to relieve the rates, and the question arises, "Can such transfers be "properly made, if no further allowance be made for "depreciation?" They can legally, but is it sound finance? To this we shall seek an answer.

2.—What are the Different Methods of Providing for this Depreciation?

Consideration thereof.

There are several methods of exhibiting the accounts of a trading undertaking, which purport to properly make, and reveal, this provision for depreciation. To understand the significance of each, it is necessary that there should be no confusion between Renewals Fund, Depreciation Fund, and Sinking Fund.

Renewals.

First, as to Renewals. The practice in this respect is not uniform. Some municipalities make whatever renewals are required, as they arise, from time to time, and charge them direct to revenue, whether £100 or £1,000 in any one year; whilst others accumulate a Renewals Fund at a fixed rate, equalised, year by year at the expense of Revenue Account, out of which occasional renewals are provided, carrying forward a balance in anticipation of the time when wholesale renewals will take place.

Is a Renewals Fund equivalent to Depreciation Fund?

A Renewals Fund often takes account of wear and tear, but not for obsolescence, and that indefinable loss in value which is not replaceable even by continual renewals of parts; if, however, the amounts charged against profits and credited to Renewals Fund were of such an amount

as to be calculated to provide for the *entire renewal* of the fixed assets of an undertaking at the end of their life, this would be equivalent to a Depreciation Fund, and might very properly be so termed. By whatever title a fund of this nature be termed, whether "Reserve Fund" (so-called), Renewals Fund, or Depreciation Fund, the result will be the same if the end in view be the total replacement of the fixed assets at the termination of their life of economical usefulness.

"Reserve" Fund.

Bearing of Sinking Fund on Revenue Account—

Many students will thoroughly understand the Revenue Account of a trading company, which shows on the debit side "Depreciation on ——— £—," and in the Balance Sheet will be quite clear that the value of the asset shown therein is either its estimated value, net, after depreciating, or its cost price, with a Depreciation Fund set against it on the liabilities side. Immediately Sinking Fund is mentioned, however, they become confused. Once let them understand that the Sinking Fund, *as such*, has no more relation to the Revenue Account of a municipal trading undertaking than it has to the Manufacturing Account of a private trading concern, and all is quite clear. Why is this so? Because its purpose is to provide cash for the repayment of borrowed moneys, which provision is not, *per se*, a revenue charge, and this purpose of a Sinking Fund is achieved if simply the book entry be—

Effect of.

Dr. Sinking Fund Investment.
Cr. Cash,

without a corresponding debit to revenue. In due time these investments will accumulate and be available to repay loans.

Reason therefor.

It is because the Sinking Fund is to be provided out of *trading income* that it affects the Revenue Account at all; this stipulation is made when the loan is sanctioned. Revenue Account must therefore be debited, and Sinking Fund credited with the annual contribution.

Is Sinking Fund the Equivalent of Depreciation?

Depreciation *v.* Sinking Fund.

It is argued that when the Local Government Board or other sanctioning department of State fix the periods for repayment of loans, they usually ensure that by the time

Depreciation *v.* Sinking Fund.

the assets will be worthless there shall be no loan debt on them. That is, if they in 1890 sanctioned the borrowing by a municipality of a loan of £10,000 to construct a tram-road, they say, "The life of that tram-road and "apparatus is estimated at an equated period of, say, 20 "years; in 1910 that loan shall be repaid. To do this, you "must set aside each year, by charging to revenue and "investing, £372 3s. 2d. An annual contribution of that "amount, invested at 3 per cent. compound interest, will "provide the sum of £10,000 in 1910 to repay the loan. "We shall (and they do) see that this is done."

Entries in Books.

What are the book entries for this?

1890	*Dr.*	*Cr.*
Cash	£10,000 0 0	
Lender		£10,000 0 0

Each year the following entries have been passed:—

Revenue	£372 3 2	
Sinking Fund		£372 3 2
*Sinking Fund Investments	£372 3 2	
Cash		£372 3 2

* Interest is added from time to time, till the fund amounts to £10,000.

1910		
Lender	£10,000 0 0	
Cash (repaid)		£10,000 0 0

Substituted Entries.

It will be seen that the result would have been exactly the same had the entries been—

Revenue	£372 3 2	
Depreciation Fund ..		£372 3 2
Depreciation Fund ..	372 3 2	
Sinking Fund		372 3 2
Sinking Fund Investments	372 3 2	
Cash		372 3 2

and the student would then have had far less difficulty in following the transactions.

Is Sinking Fund equivalent to Depreciation then?

It may now be said that "In this case, depreciation is the same as Sinking Fund." This is never so. It is possible that the amounts required for each may sometimes be the same, but the two funds are entirely different in character and principle.

Reasons to the Contrary.

If the period of repayment of the loan always chanced to be the exact equated period during which the fixed assets comprised in the trading undertaking were of value, many difficulties would disappear, but this is not so. This is quite apparent when it is pointed out that in private Acts of Parliament a municipality sometimes gets a longer period in which to repay the loans sanctioned therein than it would have done had a Department of State given the sanction. Moreover, it is pointed out that a sanction given ten years ago in the case of, say, a tramways or an electricity undertaking, or 20 years ago for horse traction plant, &c., could not possibly foresee and allow for the rate at which the assets comprising such undertakings become obsolete nowadays, *even if the rate of wear and tear were calculated to a nicety*. If, then, the amount annually chargeable to revenue for depreciation is not exactly the amount required for Sinking Fund there are, and must be, differences of treatment.

Three Different Methods of Treatment of Sinking Fund.

These different methods may now, for simplicity, be limited to three:—

(*a*) Those municipalities which make the Sinking Fund charge suffice for depreciation.

(*b*) Those which not only depreciate, as they think, sufficiently, but also debit Sinking Fund to revenue as well—*e.g.*, Glasgow.

(*c*) Those which charge revenue with proper depreciation, and merge the Sinking Fund charge therein —*e.g.*, Bolton.

3.—Which is the Correct Method?

Right Basis of Consideration.

On this point there must almost necessarily be differences of opinion. Whether rightly or wrongly, the standpoints from which the question is viewed undoubtedly influence the opinion; it is sometimes a question not of "What is the right thing?" but "What can we afford to do?" This must not influence us at all, principles are not thus dealt with.

First Method—

(*a*) Those municipalities which make their Sinking Fund charge suffice for depreciation.

LIBRARY OF THE UNIVERSITY OF Cal

Whether this is right or not is entirely dependent to a certain extent on chance—that is, whether or not the period the municipality have obtained for the repayment of the loans on their trading undertakings exactly corresponds with the life of the fixed assets provided out of those loans, bearing in mind our previous discussion thereon. Even if it does, at the end of that "life" further loans would have to be raised to renew the undertaking, and thus a system of continual re-borrowing is inaugurated. This factor in the question opens out a wide sphere for controversy, with which the length of our article will not permit us to deal. It is strenuously urged, however, that this is wrong. The fact that different periods are allowed for repayment of different loans, according to the nature of the assets to be acquired out of such loans, combined with the fact that the Sinking Fund contribution *must* be a charge against Revenue Account, seems, it is said, to imply an intention on the part of the State Department to cover depreciation. On the contrary, it has been urged that the Legislature requires Sinking Fund to be charged against revenue as a sort of penalty for trading on borrowed capital; but on these points the divergent views can simply be pointed out, and the reader left to determine which view appears to him to be the more reasonable.

Review of

Effect of.

Contrary Opinions on Justice of.

(*b*) Those municipalities which not only charge Revenue Account with depreciation and renewals, but also with Sinking Fund in addition—*e.g.*, Glasgow.

Second Method—

Most controversialists will agree that whilst Sinking Fund *may* be equivalent to depreciation, and may thus have a direct relation to the reducing value of the assets, depreciation *must* have this direct relation, and as a rule depreciation and not Sinking Fund is the proper charge to make to revenue; but where the differences arise is as to whether Sinking Fund should be charged as well. This is a question which can only be answered by considering whether or not by so doing the present generation is unduly burdened to relieve future generations, and is in all cases a question of fact, dependent upon the period allowed for repayment of the loan. The period allowed for repayment of the loans is the crux of the whole question.

Review of.

Question at Issue.

Effect of.

The effect of the Glasgow system is that (as regards the tramways, for instance) at the end of the life of the fixed assets the undertaking has been depreciated to zero, a Renewals Fund is available to renew the permanent-way, whilst at the expiration of the term for the repayment of the loan there are sufficient funds to pay off all the loans out of which the undertaking was provided.

Third Method—

(*c*) Those municipalities which make a proper charge to Revenue Account for depreciation, and merge the Sinking Fund therein—*e.g.*, Bolton.

Book Entries of.

This procedure is explained by the Journal entries previously given.

	Dr.	*Cr.*
Revenue Account (say)..	£1,000 o o	
Depreciation Fund ..		£1,000 o o
Depreciation Fund (say)	800 o o	
Sinking Fund		800 o o
Sinking Fund Investments	800 o o	
Cash		800 o o

Effect of.

The result of this procedure is that, concisely stated, a fund is gradually accumulating which will, in course of time, relieve the municipality of the necessity for re-borrowing to renew the undertaking.

Solid Reasons or Practice of.

The contention of these municipalities is that, for the reasons we have considered, the amount of Sinking Fund contribution required by an undertaking is often not properly relative to the life of the assets contained therein, and even if it is, repayments of capital by means of Sinking Fund are, especially for purposes of comparison with a limited company, matters of account-keeping, and should not be allowed to affect the results of the Trading and Revenue Account, which shows the financial results of an undertaking from a commercial point of view. They therefore make full and proper charges for depreciation, which *has* a direct relation to the Revenue Account, and raise a Sinking Fund Account *out of* that charge, investments being made of such funds, as is done elsewhere, for accumulation and ultimate realisation to repay loans.

A surprising result of this manner of treatment (with which personally the author agrees) is that as regards electricity undertakings, for instance, the Bolton method necessitates a greater charge to Revenue Account per £ of capital expended than does the Glasgow method. Comparison with other Methods.

Town	Electricity capital	Depreciation and Sinking Fund	Percentage on outlay
Glasgow	£1,041,746	.. £41,130 ..	3·948
Bolton	207,481	.. 9,222 ..	4·444

This is principally caused by the fact that Glasgow has a longer term allowed for repayment of their loans than has Bolton. This period of repayment is thus of vital importance, as on that depends the equity or inequity of each method of dealing with the depreciation question; the whole matter at issue is, "Is the present generation bearing its "full share of the indebtedness of municipalities, neither "more nor less, but a just share?" Reason for this result. *The* Vital Point.

It has been the author's endeavour throughout this article to keep the student as close as possible, consistent with lucidity, to the principles involved, and it is believed that, intelligently applied, a grasp of the points here raised will equip the student with sufficient knowledge to follow clearly the involved discussions on this subject now proceeding, which are, indeed, of sufficient importance to merit the serious attention of students one and all. Apply these Simple Facts to Literature on the subject.

CHAPTER VI.

THE AUDIT OF MUNICIPAL ACCOUNTS.

Chaos at present existent.

If there is any one municipal matter particularly requiring amendment by the Legislature, it is surely the method of auditing the accounts of municipalities; the reins by which the governing body of a city or town is supposed to be held in check are in such a tangle that it seems almost too much to believe that by any process short of wholesale destruction and re-organisation can efficiency and uniformity together be restored. Let us take just a passing glance at the whole field of local government, and enquire as to whom the audit of the accounts of the local governing bodies is entrusted. We shall at once see how confused matters are.

Different Systems scanned.

County Councils.

The accounts of County Councils are, as directed by the Local Government Act, 1888, to be audited by an auditor appointed by the Local Government Board. This audit to most students is a doubtful quantity. It is agreed by almost every student—who probably has not much idea as to what such an audit really is, but takes its deficiencies for granted, as it were—that such an audit, and indeed any audit short of one carried out by professional accountants, is unsatisfactory. Even if the author agrees with them in this, it is surely best for them to understand what is meant by a "Local Government Board audit," which we shall presently consider.

Municipalities.

The accounts of County Borough Councils and of Non-County Borough Councils (except such accounts as relate to education) are, with a few exceptions, subject to an audit by elective auditors and a mayor's auditor, as prescribed by the Municipal Corporations Act, 1882; in addition to this form of audit many boroughs have by local Acts obtained the power to appoint professional auditors and

to pay them reasonable and proper remuneration; whilst others—*e.g.*, Bournemouth, Southend-on-Sea, Tunbridge Wells, and Plymouth have obtained the power to abolish elective auditors and mayor's auditor, and now submit their accounts to an auditor appointed by the Local Government Board. Again, some corporations have substituted for elective auditors and a mayor's auditor professional auditors only.

Urban Distric Councils.

Thus, it will be seen how many and varied are the systems at present in vogue as regards municipalities alone. But when it is pointed out that the accounts of urban district councils (where such a body is not a town council) are subject to an audit by a Local Government Board nominee, the question of the audit of the accounts of municipalities assumes a new phase, as it is at once apparent that this is the only field now left open to professional accountants; and, indeed, it behoves them to look after their interests, and that very quickly, lest this sphere of labour should also be closed to them. Even in municipal corporation audits, the Local Government Board have gained a foothold; the accounts of municipalities acting as Local Education Authorities are now subject to a Local Government Board audit, as also are the whole of the accounts of the Metropolitan Borough Councils. If for this reason alone, accountant students are vitally concerned in the discussion now proceeding on the audit of municipal accounts, for it must be remembered that whatever is enacted to-day bears on the professional accountants of the future—viz., *the students of to-day*.

Importance of subject to Students.

Let us then consider the respective merits of the systems in operation by subjecting them to a standard test.

What is the purpose of an audit?

Purpose of Audit.

It may be said to be the detection and prevention of errors. These errors may be errors of fact and errors of principle, which, again, may be divided into accidental errors and wilful errors. The purpose of an audit may then be said to be fulfilled only by the adoption of such a system of bookkeeping and audit as will in the hands of a competent auditor ensure the detection and prevention of all these respective classes of errors.

Such being the case—

Advantages of Audit.

What may be said to be the ensuing advantages of an audit, applying the question more particularly to an audit (which should always be *continuous*) of municipal accounts?

Firstly—That almost necessarily as a result of audit, the books are put in good order and the bookkeeping system perfected.

Secondly—That by the discovery, correction, and elimination of errors of all kinds, full and accurate returns of the progress of the undertaking may be prepared, and as a result of a continuous audit, promptly, and at any time.

Thirdly—That special precautions are taken to prevent fraud on the part of any servants of the auditor's clients or employers.

Fourthly—The restraining and corrective influence which is undoubtedly brought to bear on all the officials whose accounts come within the auditor's examination.

Bookkeeping System.

Although it is not within the province of an auditor, as such, to make himself responsible for the manner of keeping the accounts, yet no auditor would rest satisfied till he had seen the initiation of such a method of recording the transactions of an undertaking by means of books, &c., as to be certain that by the application thereto of the skill and knowledge derived from his professional training, he could do his duty to his clients or employers and so be able to place full reliance that his certificate was based on a solid and permanent foundation.

Special considerations in Municipal Audits.

At the risk of being considered verbose, it is advisable thus to recall the precepts of one's youthful training in commercial auditing. Let us now add to these essentials of an audit those which, in the present controversy, are urged by many persons as being vital to the efficiency of a municipal audit, viz.:—

(1) Appointment of auditors by an authority independent of the town council.

(2) The power of surcharge of illegal or extravagant expenditure; and

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

(3) The power of an auditor to appeal to a superior authority to the town council for the appointment, where necessary, of professional valuers, who alone, it is urged, can be said to be competent to assess the value of capital works and assets, and to set up an average allowance for depreciation.

Controversial matters.

We have now such a standard as, it is believed, would satisfy the most exacting of the opponents of present day methods of accounting and audit of municipalities. Now, can such a standard be set, or is it advisable that such extensive powers be given to auditors of the accounts of local governing bodies? The reader must answer for himself; his professional journals will supply him with more than sufficient food for contemplation of this subject.

We are now just on the fringe of a series of controversial subjects with which it is impossible in an article of this length to fully and lucidly deal. It is generally agreed, even by extreme supporters of municipal trading, that the present methods are antique and unsatisfactory, but whether they would be prepared to go to any such lengths as the above is another matter. We must leave the question to the disputants, and proceed to a review of each of the present day methods of audit—viz., (*a*) by elective and mayor's auditors, (*b*) professional audit, and (*c*) by the Local Government Board's auditor—and see exactly where present methods fail to give satisfaction.

Consideration of each present-day method of Audit.

(*a*) Audit by Elective, and Mayor's, Auditors.

Statutory Authority for

What is known as the "elective audit" is prescribed by the Municipal Corporations Act, 1882, section 25, which enacts that the accounts of municipal corporations are to be subject to audit by three persons, one of whom (called the mayor's auditor, by whom he is appointed) must be a member of the Town Council, and two ratepayers, elected by ratepayers by public poll, if necessary. There was, until lately, no other statutory provision for the audit of the accounts of municipalities, but by the Education Act, 1902, the accounts of a municipality acting as the local education authority are subject to audit by an auditor appointed by the Local Government Board.

Education Accounts excepted

Manner of Appointment.

Everyone who has had experience of the manner in which the appointment of elective auditors is sometimes made will agree that in very few cases indeed can an elective audit be said to be efficient. As often as not it is the case that such auditors are merely political or social nominees, and not auditors in any sense other than nominal. There is often no attempt whatever at audit, but the general rule seems to be that, for the purpose of issuing an annual and thoroughly sensational report, the elective auditors will go through the vouchers and pick out spicy items which will appeal to the crowd as examples of municipal luxuries.

Usual "Audit" procedure unsatisfactory.

Exceptional.

In fairness to those elective auditors who chance to be professional auditors, it must be confessed that even without anything approaching reasonable remuneration their work is done in such a manner as only professional accountants can.

(*b*) Professional Audit.

Efficiency of.

So far as the accuracy of the bookkeeping entries is concerned, as well as accurate treatment of matters of principle, it must at once be said that by a professional audit only can efficiency be maintained. It is idle to deny that even in the detection and prevention of fraud on the part of the municipality's officials, and that only, there is sufficient justification for an appeal to reasonable men to promote legislation making the appointment of professional auditors compulsory. It is thought by some that, assuming the appointment of such an auditor were made by, say, the Local Government Board, independent of the local authority, or by the local authority, subject to the approval of the Local Government Board, a great step in advance would have been taken, especially if it were compulsory on the professional auditors to issue a full report on his examination of the accounts, therein calling attention to all such expenditure as he considered unnecessary or extravagant, no power of surcharge being given.

Prevention of Fraud.

Suggested method of Appointment.

Cf. Scottish method of Appointment.

It is, moreover, pointed out that by the Town Councils (Scotland) Act, 1900, clause 94, it is enacted, *inter alia*, that "The secretary for Scotland shall annually appoint an

auditor for the purpose of the accounts of the burgh." This enactment has resulted in a form of order being issued by the Secretary for Scotland, providing (1) "that every auditor of the accounts of a burgh should be a professional accountant, and (2) that no accountant should be appointed to audit the accounts of the burgh in which he resided." Why, it is asked, if this power be given to Scotland, should it not also be given to England? Indeed there seems no satisfactory answer.

Should power of Surcharge be given?

Still, some authorities would go further than this and insist on the power of surcharge being given either to a professional auditor, or to an auditor appointed by the Local Government Board; and a few would suggest that a professional auditor should do his duty as to the certification of the accounts, and report as to the manner of dealing with questions of principle such as, say, the depreciation question, at the same time reserving to a Government auditor power to examine the accounts, and investing him with authority to surcharge. Whether there is really any need of such power to surcharge is a matter of opinion; there are to be found those who will be satisfied with nothing short of this power of surcharge being given to some auditor or another; but there are two sides to this as to every other question.

Professional Audit essential.

So far as professional accountants are concerned, however, they *must*, it is felt, take a part in any future legislation; for whatever may be enacted for curbing the too progressive policy now, it is argued, adopted by municipalities, so far as the proper certification of the accounts is concerned, a professional accountant, and he only, is thoroughly competent.

Refer to Report of Select Committee on Municipal Trading.

At the conclusion of this article will be found an extract from the report of the Joint Select Committee on Municipal Trading (1903), setting out the views of the Committee, more especially on the question of the professional audit; and it must not be forgotten that these gentlemen had such opportunities of obtaining evidence of the efficiency or otherwise of the different methods of audit as no other body has ever had, or probably will have.

(*c*) Auditor Appointed by the Local Government Board.

Audit procedure.

There seems to be some doubt amongst students as to the exact manner of procedure in an audit by the Local Government Board's nominee, and as to the powers he possesses. It must not be supposed that there is any hard and fast rule by which such auditors are bound in their examination of the accounts. It is found in practice that although most of them are lawyers, and that only, some appear to have a better accountancy knowledge than others, and the author has known a few cases where an audit by the district auditor has been almost as thoroughly efficient as that of a professional accountant. This, however, is much more of an exception than a rule.

Appointment of Auditor.

For the purpose of auditing such of the accounts of local governing bodies as they are empowered to audit, the Local Government Board divide the country into a certain number of districts, and appoint a gentleman (generally, as has been said, a barrister) as "District Auditor" for each district.

Time of Audit.

The audit is an annual one, and takes place "as soon as practicable after the close of the financial year." It is well known that one of the greatest advantages of a continuous professional audit is that accounts are prepared, certified, and published very shortly after the termination of the period under review; but in the case of a district auditor who also audits Poor Law Accounts, it is not unusual for an audit to take place from six to eight months after the end of this period, and this is where an audit is only a yearly or half-yearly one!

Auditor's Powers.

The district auditor is to see that the accounts are properly kept as to form, to hear objections offered thereto, and is empowered to examine any of the officials of the local governing body thereon. He is to ascertain that all sums received are brought into account, and —perhaps most important of all—he is to examine whether expenditure is in all cases such as is legal and might properly be made, and has the power to surcharge (*a*) such payments and charges as he thinks exorbitant, (*b*) all moneys not duly accounted for, and (*c*) all sums lost by negligence.

Value (?) of Authority to Surcharge.

It is owing to this power of surcharge that in some quarters there is such a strong feeling in favour of an audit by a Local Government Board nominee; but it seems as though such persons were altogether regardless of the fact that, in the absence of a professional audit, it is no exaggeration to say that it is quite possible for the local governing body to be defrauded out of much larger sums, possibly thousands of pounds, either in the way of moneys received and not accounted for, or by fraudulent expenditure, in such a manner as the district auditor is not competent

the

sur-

Surcharges.

System not satisfactory.

As a further proof of the ineffectiveness of the exercise of the power of surcharge given to a district auditor, the official returns for 1902-3, now to hand, show that, in cases where the local governing body considered themselves aggrieved by the surcharge, and appealed to the Local Government Board, such an appeal resulted in a remittance of the surcharge in over 90 per cent. of the cases.

yal
gly
der
da-
eet

Value of.

nts

that whatever the system of *outside* audit of the accounts of a municipality be, it is essential that there shall be a thorough and efficient "staff audit" conducted under the control of the municipality's chief financial officer, by staff officers who also work subject to the "test" of the professional auditors, where such are appointed. These staff auditors are at their task from day to day, and it is becoming a recognised practice of financial officers of the most progressive municipalities to appoint to these positions, as "staff" or "internal" auditors, men who have had a proper training for this purpose. Although some authorities prefer to call such an audit by the term "internal check," it is not irrelevant to say that there is as much auditorial acumen called for from such a staff auditor as is sufficient to render him worthy of the more professional term than that of an "internal checker"; there are, of course, internal checks brought into use, both automatic and otherwise, to minimise the risks of collusion.

Internal "Audit" or "Check"?

(*c*) Auditor Appointed by the Local Government Board.

Audit procedure.

There seems to be some doubt amongst students as to the exact manner of procedure in an audit by the Local Government Board's nominee, and as to the powers he possesses. It must not be supposed that there is any hard and fast rule by which such auditors are bound in their examination of the accounts. It is found in practice that alth[illegible] most of them are lawyers, and that only, some appe and the d as tl muc

Appointment of Auditor.

F gove Gov of d said

Time of Audit.

T prac known that one of the greatest advantages of a [illegible] professional audit is that accounts are prepared, certified, and published very shortly after the termination of the period under review; but in the case of a district auditor who also audits Poor Law Accounts, it is not unusual for an audit to take place from six to eight months after the end of this period, and this is where an audit is only a yearly or half-yearly one!

Auditor's Powers.

The district auditor is to see that the accounts are properly kept as to form, to hear objections offered thereto, and is empowered to examine any of the officials of the local governing body thereon. He is to ascertain that all sums received are brought into account, and —perhaps most important of all—he is to examine whether expenditure is in all cases such as is legal and might properly be made, and has the power to surcharge (*a*) such payments and charges as he thinks exorbitant, (*b*) all moneys not duly accounted for, and (*c*) all sums lost by negligence.

Value (?) of Authority to Surcharge.

It is owing to this power of surcharge that in some quarters there is such a strong feeling in favour of an audit by a Local Government Board nominee; but it seems as though such persons were altogether regardless of the fact that, in the absence of a professional audit, it is no exaggeration to say that it is quite possible for the local governing body to be defrauded out of much larger sums, possibly thousands of pounds, either in the way of moneys received and not accounted for, or by fraudulent expenditure, in such a manner as the district auditor is not competent to detect, whilst his supporters take to themselves the satisfaction of the local governing body having been surcharged for an illegal 'bus fare!

System not satisfactory.

It will be seen, by reference to the report of the Royal Commission, that an audit of such a nature is strongly condemned, and it remains for each student to consider whether or not in the Joint Select Committee's recommendations he sees such a method of audit set out as will meet with the approval of all parties concerned.

(*d*) Internal Audit.

Value of.

It is, perhaps, needless to point out to accountant students that whatever the system of *outside* audit of the accounts of a municipality be, it is essential that there shall be a thorough and efficient "staff audit" conducted under the control of the municipality's chief financial officer, by staff officers who also work subject to the "test" of the professional auditors, where such are appointed. These staff auditors are at their task from day to day, and it is becoming a recognised practice of financial officers of the most progressive municipalities to appoint to these positions, as "staff" or "internal" auditors, men who have had a proper training for this purpose. Although some authorities prefer to call such an audit by the term "internal check," it is not irrelevant to say that there is as much auditorial acumen called for from such a staff auditor as is sufficient to render him worthy of the more professional term than that of an "internal checker"; there are, of course, internal checks brought into use, both automatic and otherwise, to minimise the risks of collusion.

Internal "Audit" or "Check"?

Text Book on

Until a short time ago, as *The Accountant* pointed out, it had often been left to professional auditors themselves to devise means of checking the detailed accounts of municipalities, and more especially the checking of departmental receipts, but a welcome addition to the list of works on municipal accountancy and finance has lately been made by Messrs. Gee & Co. (London), by the publication of the only work existent on this topic—viz., "A Municipal Internal Audit" (Collins). It is believed that this work, which is now officially recommended as a text-book for municipal examinations, contains more than sufficient to enable either the chief financial officer, or the professional auditor himself, to properly apportion the extent of the audit of the detailed accounts between the municipality's staff and the professional auditors, for almost every department of a municipality is dealt with, and in all cases means are sought and provided to close loopholes for peculation, and to strengthen a municipal audit at one of its most vulnerable points—the detailed check of income.

Report of the Joint Committee on Municipal Trading, 1903.

Herein are the extracts from the report of the Joint Committee referred to above:—

Uniformity recommended.

The Committee recommend that a uniform system of audit should be applied to all the major local authorities, viz., the councils of counties, cities, towns, burghs, and of urban districts.

Present chaotic Systems condemned.

At present municipal corporations in England and Wales, with a few exceptions, are only subject, as regards audit, to the provisions of the Municipal Corporation Act, 1882, by which one auditor, who must be a member of the town council, is nominated by the mayor, and two, who cannot be members of the town council, are elected by the ratepayers.

The evidence shows that no effective system of audit is thus supplied. The elective auditors are poorly paid, or are unpaid altogether; little interest is taken in their election; and although in some cases they are able to lay a finger on a particular irregularity, it is not clear that they could not make the same discovery in the capacity of active ratepayers. No complete or continuous audit is attempted by them.

Especially the "District" Audit

All county councils, the London borough councils, and urban district councils, are subject to the Local Government Board audit. This audit is carried out by district auditors, who, as a rule, are not accountants, and are not, in the opinion of the Committee, properly qualified to discharge the duties which should devolve upon them. By special local Acts the corporations of Tunbridge Wells, Bournemouth, Southend-on-Sea must, and the corporation of Folkestone may, adopt the Local Government Board's system of audit. The duties of the auditors seem to be practically confined to certification of figures, and to the noting of illegal items of expenditure.

and District Auditors.

To apply this system of audit to municipal corporations would arouse strenuous opposition from them, and the course may be considered impracticable; but, in addition to this, the fact that district auditors are not accountants seems to unfit them, as a class, for the continuous and complicated task of auditing the accounts of what are really great commercial businesses.

Committee's Recommendations.

The Committee accordingly recommend that—

(*a*) The existing systems of audit applicable to corporations, county councils, and urban district councils in England and Wales be abolished.

(*b*) Auditors, being members of the Institute of Chartered Accountants, or of the Incorporated Society of Accountants and Auditors, should be appointed by the three classes of local authorities just mentioned.

(*c*) In every case the appointment should be subject to the approval of the Local Government Board, after hearing any objections made by ratepayers; and the auditor, who should hold office for a term not exceeding five years, should be eligible for re-appointment, and should not be dismissed by the local authority without the sanction of the Board.

(*d*) In the event of any disagreement between the local authority and the auditor as to his remuneration, the Local Government Board should have the power to determine the matter.

(*e*) The Scots practice of appointing auditors from a distance, in preference to local men, to audit the accounts of small burghs should in similar cases be adopted in England.

Suggested Duties and Powers of Auditors defined.

The Committee are of opinion that it should be made clear by statute or regulation that the duties of those entrusted with the audit of local accounts are not confined to mere certification of figures. They, therefore, further recommend that—

(*a*) The auditor should have the right of access to all such papers, books, accounts, vouchers, sanctions for loans, and so forth, as are necessary for his examination and certificate.

(*b*) He should be entitled to require from the officers of the authority such information and explanation as may be necessary for the performance of his duties.

(*c*) He should certify—

(1) That he has found the accounts in order, or otherwise, as the case may be;

(2) That separate accounts of all trading undertakings have been kept, and that every charge which each ought to bear has been duly debited;

(3) That in his opinion the accounts issued present a true and correct view of the transactions and results of trading (if any) for the period under investigation;

(4) That due provision has been made out of revenue for the repayment of loans, that all items of receipts and expenditure and all known liabilities have been brought into account, and that the value of all assets has in all cases been fairly stated.

Auditors should be required to express an opinion upon the necessity of Reserve Funds, of amounts set aside to meet depreciation and obsolescence of plant in addition to the statutory Sinking Funds, and of the adequacy of such amounts.

The auditor should also be required to present a report to the local authority. Such report should include observations upon any matters as to which he has not been satisfied, or which in his judgment called for special notice, particularly with regard to the value of any assets taken into account. N.B.—Annual Report,

The local authority should forward to the Local Government Board both the detailed accounts and the report of the auditor made upon them. It should be the duty of the auditor to report independently to the Board any case in which an authority declines to carry out any recommendations made by him.

A printed copy of the accounts, with the certificate and report of the auditor thereon, should be supplied by the local authority to any ratepayer at a reasonable charge.

After careful consideration the Committee are of opinion that, in view of the thoroughness of the proposed audit, powers of surcharge and disallowance could altogether be dispensed with in the case of the major local authorities." but no power of Surcharge.

Summary.

After having thus briefly reviewed the present methods of audit, and glanced at the signs, indicated in the report of the Royal Commission, of future legislation, we must be content to wait the Government's good pleasure; questions have been asked of ministers in Parliament, the answers to which have revealed a spirit of willingness, but lack of opportunity, to thoroughly reconstruct the whole machine of local government audit. At no distant date, it is believed, will the greater portion of the contents of this article be a reference to past times and methods; and as undoubtedly strong Government action would do much to still the sea of unrest in which municipal finance is just now floating, it is indeed to be hoped that an opportunity will soon arise for the promotion of a measure which will satisfy all factions of disputants. Trend and Prospects of future Legislation.

CONCLUSION.

At the end of this, the last article of the series arranged with the publishers, one can glance through the pages of matter on "Municipal Finance" now in print, which have flowed from this pen, and sincerely hope that they have served their intended purpose, and that students are now in a position to maintain an intelligent discussion on such matters as have here been dealt with. Before laying down one's pen for a while, it is the author's wish to express the hope also that, as a result of the investigation of the "whys and wherefores," as pursued in these articles, students may be imbued with the desire, endowed with the power, and provided with the opportunity of continuing their studies of municipal finance, and, using this series as a map alone, proceed to explore the ground in detail; and if they find as much pleasure therein as it has given the author to direct them, they will be amply repaid. Knowledge is yet, as of old, power.

INDEX.

"Adoptive" Acts 5
Audit by Elective, and Mayor's Auditors—
Education Accounts excepted 47
Exceptional feature of 48
Manner of Appointment 48
Statutory Authority for 47
Usual "Audit" Procedure, unsatisfactory .. 48
Auditor Appointed by the Local Government Board—
Appointment of Auditor 50
Audit Procedure.. 50
Auditor's Powers 50
System not Satisfactory 51
Time of Audit 50
Value (?) of Authority to Surcharge 51
Boards of Guardians—
Duties 6
Poor Law Authorities only 6
Borough Fund—
Expenditure chargeable thereon 10
Income Credited to 10
Borough Rate 11
Capital Accounts 21
City of London, Exceptional features of 7
Consolidated Loans Fund 23
,, Rate 19
County Boroughs—
Constitution now dependent on Population .. 3
"Continuing Payments" 3
Corporation Acts by its Seal 3
County Borough Rate 3
,, Boroughs newly-formed 3
Extent of jurisdiction 3
Formation originally 3
"Municipal Corporations" 3
Summary of Powers 3

County Councils—
Constitution 1
Extent of Jurisdiction 2
Finances 2
Formation 1
Powers 1
Summary of Duties 2
Depreciation of Assets in Municipal Undertakings—
Main Principles 35
Points to be considered 35
Unbiassed Minds asked for 35
1.—Do Municipal Undertakings Depreciate?—
Affirmative Answer 36
Differences between Trading and Non-Trading Concerns 36
Municipal Assets *v.* Privately-Owned Assets .. 36
Principles Involved 37
Qualifications thereto 36
2.—What are the different Methods of providing for this Depreciation?—
Bearing of Sinking Fund on Revenue Account .. 38
Effect of 38
Reason therefor 38
Consideration thereof 37
Depreciation *v.* Sinking Fund 38
Entries in Books 39
Is a Renewals Fund equivalent to Depreciation Fund? 37
Is Sinking Fund equivalent to Depreciation? .. 39
Reasons to the contrary 40
Renewals 37
"Reserve" Fund 38
Substituted Entries for those in practice .. 39
Three different Methods of Treatment of Sinking Fund 40
3.—Which is the correct Method?—
First Method—
Contrary Opinions on Justice of 41
Effect of 41
Review of 41

Second Method—
Effect of 42
Question at Issue 41
Review of 41
Third Method—
Book Entries of 42
Effect of 42
Solid Reasons for Practice of 42
Comparison with other Methods 43
Reason for this Result 43
Right Basis of Consideration 40
The Vital Point 43
Distinction between County Boroughs and Non-County Boroughs 11
Education—
Abstract of Education Account 12
Audit of Education Accounts 12
Education worth Special Explanation .. 11
Increased Rates resultant on 12
Estimates for Rates 18
Exchequer Contributions Account.. 11
Explanatory Diagram—
Bird's-eye View of Field of Local Government .. 7
General District Fund—
Expenses chargeable thereon 12
Income Credited to 13
General District Rate—
Income Credited to 13
Grants from Imperial Funds 11
Income on Capital Account 18, 21
Where Moneys come from 21
Why not from the Rates? 21
Interest and Sinking Fund—
Explanation of 14
Internal Audit—
Internal "Audit" or "Check"? 51
Text Book on 52
Value of 51
Local Governing bodies, Bird's-eye view of .. 7

London County Council—
Formation of 7
Jurisdiction 7

London Local Government—
Audit of the Accounts of 6
Finances 6
Formation of Metropolitan Boroughs 6
Powers 6
Rating Provisions 6

Municipal Abstracts of Accounts—
Contents of 9
How to Analyse 9, 11, 12, 20, 24, 25, 27, 39

Municipal Borrowings—
Consolidated Loans Fund 23
Expenditure—
Accounts to be kept 24
Application to Abstracts of Accounts (Statistical) 24
State Control 24
Expenditure in anticipation of Sanction .. 22
Loans, Forms and Issue of 21, 22
Period for Repayment of Loans—
Basis 23
How fixed 23
Redemption of Loans—
Methods of Redemption 23
Results of each 23
Restriction of Borrowing Powers 22
Sanctions to Loans 22

Municipal Undertakings and Private Enterprise—
Complaints justified by results — Complaints are unjust, present known evils preferable to future unknown 33, 34
Disfranchisement of Municipal Employees advisable—This step neither necessary nor just .. 32, 33
Enormous Loan Debt as results of Trading—Good Value for Money remaining 32
Evil consequences of Municipal Trading—Contrary opinions of results 30

Municipal Undertakings and Private Enterprise—
Financial Methods unsound; no proper Audit—No fault to be found with System; better Audit certainly desirable 31
Hazarded reason for present-day lassitude on this subject 34
Impartiality of Treatment 29
Municipal Management bad—Disputed .. 33
Municipality was never meant to Trade—Municipality cannot govern without Trading .. 30
Present Burdens too heavy to bear—More sources of Income looked for 32
Profits are not real—Why not? 31
Safeguards are provided against extortion by private Companies—Profits from Monopolies are the Community's 33
Trading *v.* Non-Trading Departments 29

Non-County Boroughs—
Finances 4
Formation 4
Not wholly Autonomous 4
Powers 4

Private Street Works 15
Professional Audit—
Efficiency of 48
Prevention of Fraud 48
Professional Audit essential 49
Refer to Report of Select Committee on Municipal Trading 49
Scottish Method of Appointment 48
Should Power of Surcharge be given?.. .. 49
Suggested Method of Appointment 48

Rates—
Authority for 19
Borough Rate, Levy and Collection 19
Consolidated 19
Estimates 18
General District Rate, Levy and Collection .. 19

Rates—
How fixed 18
Vitally important to Study Abstracts of Accounts 19
Reason for two Rates, "Borough" and "General District" 13
Report of the Joint Committee on Municipal Trading, 1903—
Annual Report 55
Committee's Recommendations 53
No Power of Surcharge 55
Present chaotic Systems condemned 52
Suggested Duties and Powers of Auditors defined.. 54
Uniformity Recommended 52
Rural District Councils—
Finances 5
Formation 5
Minor Authorities 5
Powers 5
Summary of Audit question—
Trend and Prospects of future Legislation .. 55
The Audit of Local Government Accounts—
Advantages of Audit 46
Bookkeeping System 46
Chaos at present existent 44
Consideration of each Present-day Method of Audit 47
Controversial Matters 47
County Councils.. 44
Different Systems scanned 44
Importance of Subject to Students 45
Purpose of Audit 45
Special considerations in Municipal Audits .. 46
Urban District Councils 45
The Two Main Funds—
Borough Fund 10
General District Fund 12
Trade Undertakings—
Comparison with Accounts of Limited Companies.. 14
Transfers from Trade Undertakings to Rates .. 14

Treasurer's Abstract of Accounts—
Balance Sheets—
Aggregate Balance Sheet 27
How to understand a Municipal Balance Sheet .. 25
Points to Note 25
Study of Abstracts of Accounts again of great service 27
Capital Accounts—
Application to Abstracts of Accounts (Financial) 25
Double-Account System 25
Trustee Securities 23

Urban District Councils—
Finances 5
Formation 4
Powers 4

Workmen's Wages—
Points to be observed in Preparation and Checking .. 15
,, ,, Note 17
Precautions for Proper Payment 17

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

Accountancy and Law Publications.

GEE & CO., PUBLISHERS,
34 MOORGATE ST., LONDON, E.C

The Accountant.

The Recognised Weekly Organ of Chartered Accountants

AND

Accountancy throughout the World.

Volumes Commence in January and July.

THE ACCOUNTANT is published weekly, in time for Friday evening's mail, and is the medium of communication between the members of the Institute of Chartered Accountants in England and Wales and Accountants generally throughout the World.

Contents :

LEADING ARTICLES.	LECTURES AND DEBATES ON
WEEKLY NOTES.	BOOKKEEPING, WITH
CORRESPONDENCE.	SPECIMENS OF ACCOUNTS.
CURRENT LAW.	AUDITING, LIQUIDATIONS, ETC.

AND

A "LAW REPORTS" SUPPLEMENT

which contains reports of all decisions of importance as to Administrations; Company Winding-up; Bankruptcies; Mercantile Law; and Partnerships.

Subscriptions :

Yearly .. 24/-	Half-Yearly .. 13/-	Post free, United Kingdom
,, .. 26/-	,, .. 14/	,, Abroad.

Payable in Advance

The Accountants' Journal.

(With which is Incorporated the Accountants Students' Journal.)

Annual Subscription 7/6 per annum post free.

ALTERATIONS AND IMPROVEMENTS. Many important Alterations and Improvements were introduced in Volume XXII., which commenced in May 1904.

CONTENTS. The general Contents of the paper are designed more especially to meet the requirements of **Accountant Students,** and especially Examination Candidates. A Concise Summary of the effect of **all important legal decisions** appears in each number. At least one original Article appears in each issue dealing with some matter of interest to Accountant Students.

PRIZE COMPETITION. Arrangements have been made for a **Serial Competition,** that is, one extending through several numbers, and a Prize awarded to the best Answers given on Questions of general interest.

STUDENTS' SOCIETIES. Each Students' Society has been invited to nominate a contributor to send monthly a short account of what is being done by his Society; and it is intended to give as much freedom as possible to the matters that may be discussed thereunder, so that within reasonable limits each Society may consider that it has a portion of the *Journal* at its own disposal to discuss such matters as it may consider of importance.

CONTRIBUTIONS. All readers are invited to make use of the Correspondence column; and careful consideration will be given to all original Articles forwarded for insertion, which, if approved, will be paid for at the usual rates, unless the author wishes them to appear under his name, in which case no payment can be made.

VOLUMES. Back numbers of the Journal (bound, half-calf, gold lettered) can be obtained, Vols. I.-XII. price **7/6** each or **72/-** for the set of 12; and Vols. XIII. to XXI. price **8/6** each.

SUBSCRIPTION ORDER FORM.

Date.....

To Messrs. Gee & Co.,
34 Moorgate St., London, E.C.

Please supply "The Accountants' Journal," monthly, until further notice. Enclosed is remittance for.....*being the amount of*.....*year's Subscription in advance.*

Name.....

Address.....

.....

The Accountants' Library.

This important Series of Handbooks, which is being issued monthly, deals with Systems of Bookkeeping suitable for all classes of undertakings.

The following Volumes (which complete the first series) have already been issued.

	NET PRICE s	d
I.—Bank Bookkeeping and Accounts (MEELBOOM)	5	0
II.—Auctioneers' Accounts (DICKSEE)	3	6
III.—Builders' Accounts (WALBANK)	3	6
IV.—Agricultural Accounts and Income Tax (MEATS)	5	0
V.—Theatre Accounts (CHANTREY)	3	6
VI.—Co-operative Societies' Accounts (SUGDEN)	5	0
VII.—Gas Accounts (THE EDITOR)	5	0
VIII.—Mineral Water Manufacturers' Accounts (LUND & RICHARDSON)		6
IX.—Stockbrokers' Accounts (CALLAWAY)		6
X.—Grain, Flour, Hay, and Seed Merchants' Accounts (JOHNSON)	3	6

	NET PRICE s	d
XI.—Polytechnic Accounts (MARSHALL)	3	6
XII.—Solicitors' Accounts (DICKSEE)	3	6
XIII.—Pawnbrokers' Accounts (THORNTON & MAY)	3	6
XIV.—Engineers' and Shipbuilders' Accounts (BURTON) ..	3	6
XV.—Tramway Accounts (MCCOLL) Triple Number ..	10	6
XVI.—Australian Mining Companies' Accounts (GODDEN & ROBERTSON)	3	6
XVII.—Printers' Accounts (LAKIN-SMITH)	3	6
XVIII.—Medical Practitioners' Accounts (MAY)	3	6
XIX.—Water Companies' Accounts (KEY)	3	6
XX.—Fishing Industry Accounts (WILLIAMSON)	3	6

To Subscribers these are published at the special rate of 2s. 6d. per volume (3s. 9d. per "Double" volume). Subscriptions can still be received at this reduced rate by those desirous of obtaining the whole Series, but the back volumes must be paid for *en bloc*. (£2 17s. 6d. for the first series; £2 10s. 0d. for the first 16 volumes of the second series.)

Subscribers who may not wish to acquire the whole of the back volumes may, however, commence their Subscription with Vol. XXI.

Single copies of any volume may be obtained at the ordinary rates as detailed above.

For Subscription Order Form see next page.

The Accountants' Library.

(SECOND SERIES)

SUBSCRIPTIONS are now invited for a Second Series of volumes which are being issued monthly in connection with this publication. The first sixteen issues (Vols. XXI. to XXXVI. of the whole Series) have now been published as follows:—

XXI.—MUNICIPAL ACCOUNTS. (ALLCOCK) Triple Number, 10/6

XXII.—UNDERWRITERS' ACCOUNTS. (SPICER & PEGLER) 3/6

XXIII.—JEWELLERS' ACCOUNTS. (ALLEN EDWARDS) Double Number, 5/-

XXIV.—MULTIPLE-SHOP ACCOUNTS. (HAZELIP) 3/6

XXV.—BUILDING SOCIETIES' ACCOUNTS. (GRANT-SMITH) 3/6

XXVI.—DEPRECIATION, RESERVES, AND RESERVE FUNDS. (DICKSEE) 3/6

XXVII.—QUARRY ACCOUNTS. (IBOTSON) 3/6

XXVIII.—FRIENDLY SOCIETIES' ACCOUNTS. (FURNIVAL JONES) 5/-

XXIX.—ELECTRIC LIGHTING ACCOUNTS. (JOHNSON) 5/-

XXX.—FRAUD IN ACCOUNTS. (EDITOR) 3/6

XXXI.—DRAPERS' ACCOUNTS. (RICHARDSON) 3/6

XXXII.—WINE MERCHANTS' ACCOUNTS. (SABIN) Double Number, 5/-

XXXIII.—DAIRY ACCOUNTS. (ROWLAND) 3/6

XXXIV.—BRICKMAKERS' ACCOUNTS. (FOX) 3/6

XXXV.—TIMBER MERCHANTS' ACCOUNTS. (SMITH) 3/6

XXXVI.—INSURANCE COMPANIES' ACCOUNTS. (TYLER) Triple Number, 10/6

It is expected that the two Series will comprise about 50 volumes in all.

THE NEXT VOLUMES OF THE SERIES WILL BE:—

XXXVII.—HOTEL ACCOUNTS, by LAWRENCE R. DICKSEE, M.Com., F.C.A. (Ready Feb. 1905.)

XXXVIII.—COTTON SPINNERS' ACCOUNTS. By WILLIAM MOSS, F.C.A.

Arrangements have already been made for the following subjects to be dealt with (but not necessarily in the order stated). Applications are, however, invited from competent authors desirous of undertaking further suitable subjects:—

Domestic Tradesmen's Accounts.

Laundry Accounts.

Publishers' Accounts.

School Accounts.

Shipping Accounts

Tailors' Accounts.

Trustees', Liquidators', and Receivers' Accounts.

SUBSCRIPTION ORDER FORM.

To Messrs. GEE & CO.

Dear Sirs,—I request you to forward to me *** Vols. I. to XX. / Vols. XXI. to end** *of* **whole of the Volumes** "THE ACCOUNTANTS' LIBRARY" **as published,** *and I hereby agree to pay for the same at the special subscription rate of 2s. 6d. net for each single Volume, and 3s. 9d. net for each Volume issued as a "Double Number."*

Name .....

Date..... *Address* .....

* Strike out two lines, in accordance with your requirements.

PRICE 2s. 6d. net. The Questions and Answers, with list of Successful Candidates, for the Institute December 1904 Examinations, being Part I. of Vol. X.

Vols. I., II., III., IV., V., VI., VII., VIII., and IX. Price 12/6 net each, except Vol. III., price 10/6 net, or 90/- the set.

Bound in Cloth, and Gold Lettered.

Terms of Subscription, 3/6 per annum, Including Index Biennially.

The Accountants' Manual

A most valuable fund of information concerning various points of Practice and Law **Relating to the Profession** is that contained in the Questions and Answers of the Institute Examinations.

The above Volumes comprise the back numbers of the Questions and Answers with copious and carefully-prepared Indices. By this means an extremely valuable mass of information, which for some time had only been available to the Student for Examination purposes, is thrown open to practitioners; and the series—comprising **a complete professional code** that will be in daily request—should find a place on the shelf of every member of the Profession.

Throughout the Series, the Answers have been written with the utmost care, and **the views of specialists have been obtained** in all cases where there has been the slightest doubt as to the correct practice. In the preparation of the Indices, the greatest pains have been taken to frame them in accordance with the **requirements of Chartered Accountants**, and all points of law that have been rendered obsolete by recent legislation have not been indexed.

The Series forms one of **the most valuable Contributions to the literature of the Profession.**

The first Volume comprises the Examination Questions and Answers from December 1884 to June 1887 (both inclusive); the second Volume includes those from December 1887 to June 1890; the third Volume comprises the Questions and Answers from December 1890 to June 1892; the fourth Volume, the Questions and Answers from December 1892 to June 1894; the fifth Volume, the Questions and Answers from December 1894 to June 1896; the sixth Volume, the Questions and Answers from December 1896 to June 1898; the seventh Volume, the Questions and Answers from December 1898 to June 1900; the eighth Volume, the Questions and Answers from December 1900 to June 1902; and the ninth Volume, the Questions and Answers from December 1902 to June 1904 (both inclusive). The Questions and Answers published after that date will form the succeeding Volumes, which it is proposed to issue every other year.

To those who have subscribed for these Questions and Answers as and when issued, the Indices will be supplied separately, price 2/6 each; and will thus be obtainable for binding up with Subscribers' own sets. To Annual Subscribers, however, the Index is supplied free of further charge.

Recommended in the Official Syllabus for the C.P.A. Examinations (New York).

GEE & CO., Publishers, 34 Moorgate Street, London, E.C.

128 PAGES. PRICE 5/- NET.

ELECTRIC LIGHTING ACCOUNTS.

BY GEORGE JOHNSON, F.S.S. F.C.I.S.

THIS WORK, which forms Vol. XXIX. of "The Accountants' Library," deals very fully with the Accounts of Electric Lighting Companies. It is divided into 18 Chapters as follows :—

SUMMARY OF CONTENTS.

Introduction.—Income and Expenditure.—Costs and Charges.—Purchase, Storeage, and Record of Stores and Materials.—Invoices.—Inwards Account Book.—Allocation of Stores and Materials Issued.—Stocktaking.—Wages.—Salaries.—Other Books of Account.—Statements for Board.—Depreciation and Renewals.—Set of *Pro forma* Transactions :—(*a*) Balance Sheet for Opening Entries; (*b*) Journal; (*c*) Cash Transactions; (*d*) Ledger; (*e*) Trial Balance; (*f*) Revenue Account; (*g*) Balance Sheet; (*h*) Auditors' Certificates (Company's and Board of Trade); (*i*) Accounts set out in Board of Trade form.—Company Books.—Insurances.—Factory and Workshops Act, 1901.

GEE & CO., PUBLISHERS, 34 Moorgate St., London, E.C.

Order Form.

.....190..

To Messrs. Gee & Co.,
34 Moorgate Street, London.

Please supply.....cop.....of ELECTRIC LIGHTING ACCOUNTS. Enclosed is remittance for.....

Name.....

Address.....

.....

THIRD EDITION.—ENLARGED AND AMPLIFIED.

ROYAL 8vo., CLOTH, PRICE 10s. 6d. NET.

CHARTERED ACCOUNTANTS' CHARGES and the Law Relating Thereto

BY

FRANCIS W. PIXLEY,

of the Middle Temple, Barrister-at-Law; and Fellow of the Institute of Chartered Accountants in England and Wales; *Author of* "AUDITORS," *&c.*

ONE of the great wants of Members of the Profession is a Standard work of the Charges of Chartered Accountants to which they can refer their Clients, when asked either to quote a fee for future services or to support an account of Charges already rendered.

The Third Edition of this work has been considerably enlarged, and contains many valuable decisions in the Courts affecting an Accountant's Remuneration. It also contains the Scale of Charges which prevails amongst the leading practising London Chartered Accountants for Auditing, making Investigations, etc.

The Charges of Liquidators, under the Winding-up Act of 1890, and of Voluntary Liquidators.

The Charges of Special Managers and Trustees in Bankruptcy, Receivers in Chancery, Judicial Trustees, etc.

The Charges for Assisting Debtors and Directors of Companies in Liquidation in the preparation of the Statement of Affairs.

The Charges of Arbitrators, Witnesses, etc.

Also a Chapter on the Law relating to Commission, so far as it is likely to affect Chartered Accountants.

It contains also model Bills of Charges; to these are added Tables which show at a glance the calculations from one hour to one hundred days, of seven and eight hours each, at every rate per day.

ORDER FORM.

Date.. .....

To Messrs. Gee & Co.,
34 Moorgate Street, London.

Please supply me with.....cop.....of "Chartered Accountants' Charges," (Third Edition) for which I enclose.....

Name.....

Address.....

.....

Advanced Accounting

BY

LAWRENCE R. DICKSEE, M.Com., F.C.A.

Professor of Accounting at the University of Birmingham (Author of "Auditing," "Bookkeeping for Accountant Students," etc.)

Crown 4to. 400 Pages. Price One Guinea net.

THIS WORK will be found of the greatest value to Candidates for the Final Examination of the Institute, and to all serious Students of Accounts. In addition to an exhaustive treatment of the subject from an Accountant's point of view **AN APPENDIX** is included, which has been written by J. E. G. de MONTMORENCY, B.A., LL.B. (Cantab.), of the Middle Temple, Barrister-at-Law, dealing with the law relating to Accounts, and the requirements of the Courts and of Lawyers in connection therewith.

This Work is divided into 26 Chapters and 2 Appendices, as follows:—

CHAPTER I.—INTRODUCTION.
" II.—CAPITAL AND REVENUE.
" III.—ORGANISATION OF ACCOUNTS.
" IV.—METHODS OF BALANCING.
" V.—BRANCH ACCOUNTS, &C.
" VI.—TABULAR BOOKKEEPING.
" VII.—STOCK ACCOUNTS AND STORE ACCOUNTS.
" VIII.—PARTNERSHIP ACCOUNTS.
" IX.—COMPANY ACCOUNTS.
" X.—VENDORS' ACCOUNTS.
" XI.—EXECUTORS' ACCOUNTS.
" XII.—THE DOUBLE ACCOUNT SYSTEM.
" XIII.—INCOME TAX.
" XIV.—BANKRUPTCY AND INSOLVENCY ACCOUNTS.
" XV.—LIQUIDATION ACCOUNTS.
" XVI.—RECONSTRUCTIONS AND AMALGAMATIONS.
" XVII.—FALSIFIED ACCOUNTS.
CHAPTER XVIII.—BOOKKEEPING WITHOUT BOOKS.
" XIX.—COST ACCOUNTS.
" XX.—DEPRECIATION, RESERVES, RESERVE FUNDS AND SINKING FUNDS.
" XXI.—PAYMENTS BY INSTALMENTS AND INTEREST.
" XXII.—THE FORM OF PUBLISHED ACCOUNTS.
" XXIII.—THE CRITICISM OF ACCOUNTS.
" XXIV.—MISCELLANEOUS PROBLEMS IN ACCOUNTS.
" XXV.—PERIODICAL RETURNS.
" XXVI.—ACCOUNTS FOR LITIGATION.
APPENDIX A.—THE LAW RELATING TO ACCOUNTS.
" B.—MISCELLANEOUS QUESTIONS ON ACCOUNTS.
INDEX

ORDER FORM.

.....*190*

To Messrs. GEE & CO.,

34 Moorgate Street, London.

Please supply me with.....cop.....of ADVANCED ACCOUNTING, for which I enclose.....

Name.....

Address.....

.....

80 PAGES. DEMY 8vo. PRICE 3/6 NET.

DEPRECIATION, RESERVES, AND RESERVE FUNDS.

BY

LAWRENCE R. DICKSEE, M.Com., F.C.A.

(Professor of Accounting at the University of Birmingham)

THIS WORK (which is Vol. XXVI. of "THE ACCOUNTANTS' LIBRARY" series) deals **fully** and **impartially** with the most **Debatable and Important Subjects** in connection with Accounts.

It is divided into **Twelve Chapters,** with a **Complete Index,** and is **the most Exhaustive Work** upon the subject that has yet been issued.

It is of especial importance

To

ACCOUNTANTS
MANUFACTURERS
DIRECTORS
SHAREHOLDERS
COUNTY, TOWN, and
BOROUGH COUNCILLORS

and RATEPAYERS.

GEE & CO., PUBLISHERS, 34 Moorgate Street, London, E.C.

Order Form.

.....*190*..

To Messrs. Gee & Co.,
34 Moorgate Street, London.

Please supply.....cop..... of
Depreciation, Reserves, and Reserve Funds.

Enclosed is remittance for.....

Name.....

Address.....

.....

5/- PER DOZ. SAMPLE COPY, POST FREE, 6d.

HANDY TRIAL BALANCE BOOK.

This little book is designed with a view to meeting the modern demand for efficiency in all that appertains to the Counting House, and its appliances. It

SAVES TIME, LABOUR, AND TEMPER.

The Account Headings are printed, and ample space is allowed for extraordinary Headings, so that all that is required to ensure a

Perfect Balance

is to fill in the figures—that is to say, you provide the figures, and

The Book does the rest.

To Bookkeepers who take an intelligent interest in their work, Students and qualified Members of the Accountancy profession, and to the much-occupied Proprietor or Manager who desires to keep a correct record of the salient points of his Business in a handy waistcoat-pocket form, the book is

INVALUABLE.

The scheme of arrangement is sufficiently wide to embrace all kinds of Businesses, and the method adopted is

Simplicity Itself.

LONDON:

GEE & CO., Printers and Publishers, 34 Moorgate Street, E.C.

92 Pages. Demy 8vo. Price 3/6 net.

Fraud in Accounts.

THIS Work, which is Volume XXX. of "THE ACCOUNTANTS' LIBRARY" Series, deals with the methods of circumventing Frauds on the part of both Employees and Directors, and shows how they may be detected at an early date.

GEE & CO., Publishers, 34 Moorgate Street, London, E.C.

Order Form.

.....190..

To Messrs. Gee & Co.,
34 Moorgate Street, London.

Please supply .....cop.....of
FRAUD IN ACCOUNTS.
Enclosed is remittance for.....

Name.....

Address.....

.....

SECOND EDITION. PRICE 7s. 6d. NET.

Whinney's Executorship Law and Accounts.

By Frederick Whinney, Junr., Barrister-at-Law, assisted by Arthur P. Van Neck, Barrister-at-Law. With an Appendix containing an Epitome of a Will and a Set of Executorship Accounts. By A. F. Whinney, F.C.A

GEE & CO., Publishers, 34 Moorgate Street, London, E.C.

THIRD EDITION. REVISED AND ENLARGED.

Demy 8vo, Cloth Lettered. *Price 3s. 6d. net.*

Caldicott's Executorship Accounts.

By Oswald Holt Caldicott, F.C.A. Being a Complete Set of the Trust Accounts of the late A. Bradshaw, Esq., with Explanatory Text. Brought up to Date.

GEE & CO., Publishers, 34 Moorgate Street, London, E.C.

3RD EDITION. NOW READY.

PRICE 2/6 NET.

Partnership Accounts

BY

PERCY CHILD, A.C.A.

THIS work is full of examples dealing with the difficulties of the subject. The accounts are reconciled with the law, thereby illustrating fully how the two are to be read together.

Partnership deeds also take a prominent position in this work. In short, the whole subject is dealt with in such a manner that it is confidently anticipated that all the many obstacles will be removed. The greatest care has been exercised in dealing with this difficult subject, and with the object of illustrating every available point.

GEE & CO, PUBLISHERS, 34 Moorgate St. London, E.C.

Order Form.

.....190..

To Messrs. Gee & Co.,
34 Moorgate Street, London.

Please supply....., cop.....of

PARTNERSHIP ACCOUNTS. Enclosed is remittance for.....

Name .....

Address .....

.....

PRICE 10/6 NET.

Tramway

BOOKKEEPING AND

Accounts.

By Donald McColl

(Glasgow Corporation Tramways).

This Work is based upon the very thorough and up-to-date methods in operation in the Glasgow Corporation Tramways Department, and will be of considerable service to Tramway officials and others interested in Tramways both here and in America.

GEE & CO., PUBLISHERS, 34 Moorgate St., London, E.C.

Order Form.

.....190..

To Messrs. Gee & Co.,
34 Moorgate Street, London.

Please supply.....cop.....of TRAMWAY ACCOUNTS. Enclosed is remittance for.....

Name.....

Address.....

.....

Third Edition. 170 pages. Demy 8vo. Price 3/6 net.

JUST PUBLISHED.

Bookkeeping

FOR COMPANY SECRETARIES

By LAWRENCE R. DICKSEE, M.Com., F.C.A.

THIS Work (which is founded upon a course of lectures delivered under the auspices of the Council of the Institute of Secretaries) deals very fully with those questions in relation to Bookkeeping, a knowledge of which is essential upon the part of every Company Secretary. It will, therefore, be found of the greatest value to all who occupy—or expect to occupy—that position, and also to all Accountant Students.

GEE & CO., PUBLISHERS, 34 Moorgate Street, London, E.C.

Order Form.

.....*190*..

To Messrs. Gee & Co.,
34 Moorgate Street, London.

Please supply.....cop.....of BOOKKEEPING FOR COMPANY SECRETARIES.

Enclosed is remittance for.....

Name.....

Address.....

.....

PRICE 10/6 NET. POST FREE.

Municipal Accounts.

by John Allcock.

THE entire system of Bookkeeping and checking of Municipal Accounts is dealt with, and facsimiles of all books and forms recommended are given.

SUMMARY OF CONTENTS.

Ordering Goods, and Preliminary Measures relating to Accounts; Checking Accounts; Presentation of Accounts; Schedule of Cheques; Income and Expenditure Ledger; Works Accounts; Estimate and Expenditure; Rates; Electricity Accounts; Corporation Stock; Registration of Stock; Private Improvement; Works Accounts; Exchequer Contribution Account; Town Hall Lettings; Police Pension Fund Account; Petty Cash, &c., &c.; Insurance of Workmen; Audit.

GEE & CO., PUBLISHERS, *34 MOORGATE ST., LONDON, E.C.*

Order Form.

.....190..

To Messrs. GEE & Co.,
34 Moorgate Street, London.

Please supply.....cop.....of *MUNICIPAL ACCOUNTS.* Enclosed is remittance for.....

Name.....

Address.....

.....

JUST PUBLISHED. 150 PAGES. PRICE 3/6 NET.

A MUNICIPAL INTERNAL AUDIT

BY ARTHUR COLLINS.

Chief Audit Clerk, Borough Treasurer's Department, Blackpool, Hon. Sec. to the Lancashire Students' Society of the Institute of Municipal Treasurers and Accountants (Incorporated).

THIS WORK will be found to be of especial importance to Municipal Financial Officers, Auditors of Municipal Accounts, Students of Municipal Accountancy, and members of the Profession engaged in the keeping and audit of Municipal Accounts.

GEE & CO., PUBLISHERS, 34 MOORGATE ST., LONDON, E.C.

Order Form.

.....190..

To Messrs. Gee & Co.,
34 Moorgate Street, London.

Please supply.....cop.....
of A MUNICIPAL INTERNAL AUDIT. *Enclosed is remittance for.....*

Name.....

Address.....

.....

. . . NOW READY. . . .

INTERMEDIATE EXAMINATION GUIDE

200 PAGES. *PRICE 3/6 NET.*

FINAL EXAMINATION GUIDE

PRICE - - - 5/- NET.

BEING compilations of the Questions set at the Intermediate and Final Examinations of the Institute of Chartered Accountants, from December 1893 to June 1903, inclusive.

BY

JOHN G. NIXON, Junr., A.C.A.

THESE books have been compiled in order to provide Accountant Students (and particularly Articled Clerks) with a series of the Questions actually set at the Examinations of the Institute.

The Questions and Exercises include practically all those set during the above-mentioned period, and have been divided into sections. They have been arranged, according to subject, in alphabetical order; the dates when they were set being also given.

The scope of the Examinations is clearly shown in these Guides, which is obviously of great service to students preparing for the Institute Examinations. In addition, the books contain a complete collection of Questions and Exercises on the Law and Bookkeeping subjects—particularly in relation to Executorship, Partnership, Company Bookkeeping, and Accounts generally.

The Intermediate Guide contains a total of 776 Questions and the Final Guide 1,157 Questions.

	Pub. Price NET
Bank Bookkeeping and Accounts. (Meelboom) (2nd Edition)	5/-
Bankruptcy. (Stevens) (2nd Edition)	7/6
,, **Time Table.**	-/6
,, **Trustee's Estate Book.** (Dicksee) ... each 4/-, doz.	40/-
,, **Trustees, Liquidators, and Receivers, Law of.** (Willson)	5/-
Bookkeeping, Antiquity of. (Heaps)	1/-
,, **Elementary.** (Day)	1/-
,, **Elements of.** (Streeter)	1/6
,, **Exercises.** (Dicksee)	3/6
,, **for Accountant Students.** (Dicksee)	10/6
,, ,, **Company Secretaries.** (Dicksee)	3/6
,, ,, **Publishers.** (Allen)	2/6
,, ,, **Retail Traders.** (Findlay) ...	3/-
,, ,, ,, **Record Book.** (Findlay)	4/-
,, ,, **Solicitors.** (Hodsoll)	3/6
,, ,, **Technical Classes and Schools.** (Clarke)	2/6
,, ,, **Principles of.** (Carlill)	3/6
Brickmakers' Accounts. (Fox)	3/6
Builders' Accounts. (Walbank) (2nd Edition) ...	3/6
Building Societies' Accounts. (Grant-Smith) ...	3/6
,, **Society Table and Loan Calculations.** (Johnson.)	1/-
Chartered Accountants' Charges. (Pixley) (3rd Edition)	10/6
Companies Act, 1900. (Reid)	1/-
,, ,, ,, **Duties of Auditors under**	1/-
Company Secretary. (Fox) (4th Edition) ...	25/-
,, **Winding-up Time Table**	-/6
Compendium, Accountants'. (Dawson) (2nd Edition)	21/-
Co-operative Societies' Accounts. (Sugden) ...	5/-
Cost Accounts of an Engineer and Iron-founder. (Best)	2/6

	Pub. Price NET
Dairy Accounts. (Rowland)	3/6
Depreciation, Reserves, and Reserve Funds. (Dicksee)	3/6
,, **Tables.** (Dicksee)	1/-
Drapers' Accounts. (Richardson)	3/6
Electric Lighting Accounts. (Johnson)	5/-
Engineers' and Shipbuilders' Accounts. (Burton)	3/6
Errors in Balancing. (2nd Edition)...	1/-
Examination Guide, Intermediate. (Nixon) ...	3/6
,, ,, **Final.** (Nixon)	5/-
,, **Papers (Questions & Answers)** June and December in each year, each ...	2/6
Examinations, Chartered Accountants', How to Prepare for. (Carlill)	1/6
Executorship Accounts. (Whinney) (2nd Edition)	7/6
,, ,, (Caldicott) (3rd Edition)	3/6
,, ,, **Student's Guide to.** (Carter)	3/6
Factory Accounts. (Garcke & Fells) (5th Edition)	7/6
Farm Accounts. (Woodman)	1/-
Fishing Industry Accounts. (Williamson) ...	3 6
Forms of Accounts. (Johnston)	2/6
Fraud in Accounts	3/6
Friendly Societies' Accounts. (Furnival Jones) ...	5/-
Gas Accounts	5/-
Goodwill. (Dicksee) (2nd Edition)	3/6
Grain, Hay, &c., Accounts. (Johnson)	3/6
Hire-Purchase Wagon Trade, &c., Bookkeeping and Accounts for. (Johnson)	1/6
Income Tax Practice, Guide to. (Murray & Carter) (3rd Edition)	10/-
Insurance Companies' Accounts. (Tyler)... ...	10/6
Inwood's Tables	8/-
Jewellers' Accounts. (Allen Edwards)	5/-
Lexicon for Trustees in Bankruptcy, &c. Bound Boards. (Dawson)	3/6
List of Members. (Institute of Chartered Accountants)	2/-

	Pub. Price NET
Medical Practitioners' Accounts. (May)	3/6
Metric System. (Streeter)	1/-
Mineral Water Manufacturers' Accounts. (Lund & Richardson)	3/6
Multiple-Shop Accounts. (Hazelip)	3/6
Municipal Accounts. (Allcock)	10/6
,, **Finance for Students**	2/6
,, **Internal Audit.** (Collins)	3/6
Newspaper Accounts. (Norton & Feasey) ...	10/-
Office Rules and Regulations ... ... doz.	10/6
Partnership Accounts. (Child)	2/6
Pawnbrokers' Accounts. (Thornton & May) ...	3/6
Polytechnic Accounts. (Calder Marshall) ...	3/6
Printers' Accounts. (Lakin-Smith)	3/6
Professional Accountants. (Worthington) ...	2/6
Publishers' Accounts. (Allen)	2/6
Quarry Accounts. (Ibotson)	3/6
Retail Traders, Account Book for. (Day) ...	5/-
Shopkeepers' Accounts. (Quin) (2nd Edition) ...	2/6
Solicitors' Accounts. (Dicksee)	3/6
Stamp Duties and Receipts, Handbook to. (Lakin-Smith)	2/6
Stockbrokers' Accounts. (Callaway)	3/6
Student's Guide to Accountancy	2/6
Theatre Accounts. (Chantrey)	3/6
Timber Merchants' Accounts. (Smith)	3/6
Tramway Accounts. (McColl)	10/6
Trial Balance Book, "Handy" each -/6; doz.	5/-
Trustees, Liquidators, and Receivers, Law of. (Willson)	5/-
Underwriters' Accounts. (Spicer & Pegler) ...	3/6
Vade-Mecum, Accountant's and Bookkeeper's. (Whatley)	7/6
Van de Linde's Bookkeeping. (2nd Edition) ...	7/6
Water Companies' Accounts. (Key)	3/6
Wine and Spirit Merchants' Accounts. (Sabin) ...	5/-

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

COST ACCOUNTS OF AN ENGINEER AND IRON-FOUNDER, THE. Price 2*s.* 6*d.* net. By J. W. BEST, F.C.A. The first portion deals with the Engineering and the second with the Foundry Department, and numerous forms of books and accounts are given and explained.

COMPARATIVE DEPRECIATION TABLES. Price 1*s.* net. By LAWRENCE R. DICKSEE, M.Com., F.C.A.

Containing a full set of Tables, showing the practical effect of providing for depreciation on the Fixed Instalment and the Fixed Percentage methods, and discussing their respective advantages.

DEPRECIATION, RESERVES, AND RESERVE FUNDS. Price 3*s.* 6*d.* net. 80 pages. By LAWRENCE R. DICKSEE, M.Com., F.C.A.

This Work—which is Vol. XXVI. of "THE ACCOUNTANTS' LIBRARY" series—deals fully and impartially with the most Debatable and Important Subjects in connection with Accounts.

It is divided into Twelve Chapters, with a Complete Index, and is the most Exhaustive Work upon the subject that has yet been issued.

ELECTRIC LIGHTING ACCOUNTS. Price 5*s.* net. Over 140 pages. By GEORGE JOHNSON, F.S.S., F.C.I.S.

This Work—which forms Vol. XXIX. of "THE ACCOUNTANTS' LIBRARY"—deals very fully with the Accounts of Electric Lighting Companies. It is divided into 18 Chapters, and contains a set of *pro formâ* transactions. With a complete index.

EXAMINATION GUIDES.—INTERMEDIATE AND FINAL. Price 3*s.* 6*d.* and 5*s.* net respectively. By JOHN G. NIXON, Junr., A.C.A.

These Books have been compiled in order to provide Accountant Students with a series of the Questions actually set at the Examinations of the Institute.

The Questions and Exercises include practically all those set from December 1893 to June 1903, and have been divided into sections. They have been arranged, according to subject, in alphabetical order; the dates when they were set being also given.

EXECUTORSHIP LAW AND ACCOUNTS. Second Edition. Price 7*s.* 6*d.* Revised and brought up to date by FREDERICK WHINNEY, Junr., B.A., Barrister-at-Law, assisted by ARTHUR P. VAN NECK, M.A., Barrister-at-Law.

Containing an Epitome of a Will and a Set of Executorship Accounts. By ARTHUR F. WHINNEY, F.C.A.

EXECUTORSHIP ACCOUNTS. Third Edition. Price 3*s.* 6*d.* net. Revised under the FINANCE ACT and brought up to date. By O. H. CALDICOTT, F.C.A. Containing a COMPLETE SET of TRUST ACCOUNTS with explanatory text.

EXECUTORSHIP ACCOUNTS, STUDENT'S GUIDE TO. About 124 pages. Price 3*s.* 6*d.* net. By ROGER N. CARTER, F.C.A. (Senior Honours Institute Examination, June 1893), Joint Author with Mr. Adam Murray, F.C.A., of "A Guide to Income-Tax Practice."

FRAUD IN ACCOUNTS. Price 3*s.* 6*d.* This Work deals with the methods of circumventing Frauds on the part of both Employees and Directors, and shows how they may be detected at an early date.

GAS ACCOUNTS (Vol. VII. of "THE ACCOUNTANTS LIBRARY.") By the EDITOR. Price 5s. net.

This Work—which comprises 128 pages—deals fully with the Accounts of all classes of Gas undertakings. It contains an Introduction and Seven Chapters, and a Full Index is appended.

AN INITIAL FINE OF 25 CENTS
WILL BE ASSESSED FOR FAILURE TO RETURN THIS BOOK ON THE DATE DUE. THE PENALTY WILL INCREASE TO 50 CENTS ON THE FOURTH DAY AND TO $1.00 ON THE SEVENTH DAY OVERDUE.

DEC 5 193
NOV 29 1935
MAY 11 1942

LD 21–50m-8,'32

The Parole Agreement—The Agreement by Deed—The Partnership Act and the Deed—The Opening of Partnership Accounts—The Partnership Transactions—The Dissolution—An explanation of Partnership terms.

PUBLISHERS' ACCOUNTS. Price 2*s.* 6*d.*. By CLARENCE E. ALLEN.

This Book deals fully with the nature and practice of the Publishing Business, the method of recording the Transactions, and the points to be noticed in connection with the Audit and the Treatment of Copyright.

SOLICITORS' ACCOUNTS. Price 3*s.* 6*d.* net. By LAWRENCE R. DICKSEE, M.Com., F.C.A.

This Volume is designed to meet the requirements of either large or small practices. The system of Accounts advocated is clearly described, and numerous alternative methods, suitable under various circumstances, are fully dealt with. The work contains a fully worked out set of *pro forma* transactions, illustrating the correct method of keeping each book described.

YC 06805

STAMP DUTIES & RECEIPTS, HAN

Price 2*s.* 6*d.* net. 52 pages. By H. LAKIN-SMITH, ...

The Book contains a full discourse upon "Receipts," particulars of the duties and fees payable upon the Registration of Companies, the Death Duties, and, generally, the rates and particulars of all the more important Stamp Duties now in force.

STOCKBROKERS' ACCOUNTS. Price 3*s.* 6*d.* net.

By W. D. CALLAWAY, Chartered Accountant.

The unique system of Dealing and Accounting that obtains on the London Stock Exchange is fully explained in this book, which also contains a Glossary of Stock Exchange Words and Phrases, a comprehensive Index, and an Appendix.

STUDENT'S GUIDE TO A... ...UNTANCY, THE.

Price 2*s.* 6...

This Work gives a description of the ... offered by Accountancy as a profession, and the best means of securi... ...ce thereto, and points out to the Student the means of employi... ...uring his articles to the best advantage.

TRAMWAY BOOKK... ACCOUNTS. Price

10*s.* 6*d.* net. By DONALD MC... ...poration Tramways). Vol. XV. (Triple Number) of "THE ... ...BRARY."

This Work is based upon ... ...-to-date methods in operation in the Glasgow Corporation ... and will be of considerable service to Tramway Offici... Tramways both here and in America. The entire S... ...arly and fully described, and facsimiles of all th... ...re given.

HE773
.M9
132971

TRIAL ... THE "HANDY."

...z.

This ... ...o meeting the modern demand for effici... ...ting House. The Account Headings are... ...for extraordinary Headings, so that all tha... ...nce is to fill in the figures. The scheme of arrangement is sufficiently wide to embrace all kinds of Businesses, and the method adopted is simplicity itself.

TRUSTEES IN BANKRUPTCY AND LIQUIDATORS OF COMPANIES, A LEXICON FOR. Price 3*s.* 6*d.* net. By

SIDNEY STANLEY DAWSON, F.C.A., Fellow of the Royal Statistical Society, (of the firm of Dawson, Langley & Chevalier, Liverpool). Author of "The Accountant's Compendium."

There is no other existing work dealing exclusively with the Rights and Duties of Trustees in Bankruptcy and Liquidators of Companies to which Practitioners can refer for detailed information upon the numerous points which arise in connection with these offices. Authority is quoted for practically every line in the work.

TRUSTEES IN BANKRUPTCY, LIQUIDATORS AND RECEIVERS, THE LAW OF. Price 5*s.* net.

By W. R. WILLSON, B.A. Oxon., and of the Middle Temple, Barrister-at-Law. Being a succinct statement of the law on those subjects as established by the *latest Statutes and Decisions, written analytically* for *Students* with a *view* to *the Examinations of the Institute and Society of Accountants.*

WATER COMPANIES' ACCOUNTS. Over 80 pages.

Price 3*s.* 6*d.* By FRANK KEY, A.S.A.A.

This Work—which forms Vol. XIX. of "THE ACCOUNTANTS' LIBRARY" series—deals at length with the Accounts of Water Companies, and describes the various necessary books. The system advocated is illustrated by full *pro forma* Accounts, and extracts from the Acts of 1847 and 1902 are appended.